
REXCEL 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 REXCEL EGYPT COMPANY (L.L.C.)

Report on the Financial Statements

We have audited the accompanying financial statements of **REXCEL 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 **REXCEL 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.

Emphasis of matter

Without qualifying our opinion, as indicated to note no.14 that the company incurred cumulative losses amounting to L.E 432,478 till the period ended 31 March 2014 which exceeded 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 Managers' 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)

Rexcel 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 4,675,974 (INR 40,172,039) and the cost of goods sold is EGP 1,404,346 (INR 12,064,961) in comparison with year 2013 sales of EGP 5,326,708 (INR 46,890,035) and the cost of goods sold EGP 1,849,689 (INR 16,282,474).

The Gross profit for the period from 1 January 2013 to 31 March 2014 is EGP 3,271,628 (INR 28,107,078) in comparison with year 2013 gross profit of EGP 3,477,019 (INR 30,607,562).

The profit for the period from 1 January 2013 to 31 March 2014 is EGP 131,166 (INR 1,126,868) in comparison with year 2013 profit of EGP 662,042 (INR 5,827,835).

The total losses of the company has reached EGP 432,478 (INR 3,715,487) as of 31/03/2014 which exceed the company's capital and as per the Egyptian law, this issue requires a call for an extraordinary general assembly meeting to consider if the business operations is to be continued or not .

General Manager

Accounting Manager

Dr. Ibrahim Shalaby

Yasser Shaker

REXCEL EGYPT COMPANY (L.L.C.)

BALANCE SHEET

As Of 31 March 2014

	Note	31/3/2014 LE	31/12/2012 LE	31/3/2014 INR	31/12/2012 INR
Noncurrent assets					
Fixed assets	(3)	-	-	-	-
Total noncurrent assets		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Current assets					
Inventory	(4)	1,548,211	1,045,405	13,278,760.17	9,243,191.87
Trade and notes receivable	(5)	593,697	934,044	5,092,045.00	8,258,567.64
Due from related parties	(10-1)	3,824,365	3,919,394	32,800,971.98	
Prepayments and other receivables	(6)	407,776	486,830	3,497,430.07	4,304,420.87
Cash at banks	(7)	759,472	1,065,318	6,513,870.88	9,419,257.29
Total current assets		<u>7,133,521</u>	<u>7,450,991</u>	<u>61,183,078.10</u>	<u>65,879,672.86</u>
Current liabilities					
Tax provisions	(8)	103,548	19,178	888,114.77	169,566.76
Trade and notes payable		145,529	108,862	1,248,179.15	962,528.74
Due to related parties	(10-2)	4,245,227	4,667,203	36,410,638.60	41,266,162.69
Accrued expenses and other payables	(9)	418,695	566,392	3,591,080.60	5,007,886.83
Total current liabilities		<u>4,912,999</u>	<u>5,361,635</u>	<u>42,138,013.12</u>	<u>47,406,145.00</u>
Working capital		<u>2,220,522</u>	<u>2,089,356</u>	<u>19,045,064.98</u>	<u>18,473,527.85</u>
Total investment		<u>2,220,522</u>	<u>2,089,356</u>	<u>19,045,064.98</u>	<u>18,473,527.85</u>
Financed as follows					
Equity					
Issued and paid up capital	(11)	240,000	240,000	2,058,441.93	2,122,015.92
Legal reserve		240,000	240,000	2,058,441.93	2,122,015.92
(Accumulated losses)		(563,644)	(1,225,686)	(4,834,285.18)	(10,837,188.33)
Profits for the period / year		131,166	662,042	1,124,989.98	5,853,598.59
Total equity		<u>47,522</u>	<u>(83,644)</u>	<u>407,588.66</u>	<u>(739,557.91)</u>
Non Current liabilities					
Due to related parties - long term	(10-2)	2,173,000	2,173,000	18,637,476.32	19,213,085.76
Total finance of working capital		<u>2,220,522</u>	<u>2,089,356</u>	<u>19,045,064.98</u>	<u>18,473,527.85</u>

Auditor
Amr M. Shaabini

Accounting Manager
Yasser Shaker

General Manager
Dr. Ibrahim Shalaby

- The accompanying notes from (1) to (17) are an integral part of these financial statements.
- Auditor's report "attached".

REXCEL 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	From 1/1/2013 to 31/3/2014 INR	From 1/1/2012 to 31/12/2012 INR
Sales	(12)	4,675,974	5,326,708	40,105,087	47,097,330
Cost of sales	(13)	(1,404,346)	(1,849,689)	(12,044,853)	(16,354,456)
GROSS PROFIT		3,271,628	3,477,019	28,060,234	30,742,874
Selling and marketing expenses		(1,518,870)	(1,677,176)	(13,027,107)	(14,829,142)
General and administrative expenses		(1,396,362)	(953,807)	(11,976,375)	(8,433,307)
Impairment of other debit balances		-	(830)	-	(7,339)
Provisions	(8)	(94,130)	-	(807,338)	-
Foreign exchange differences		2,976	(93,243)	25,525	(824,430)
OPERATING PROFITS		265,242	751,963	2,274,939	6,648,656
Finance expenses		(398,309)	(351,277)	(3,416,233)	(3,105,897)
Other income		399,280	455,319	3,424,561	4,025,809
PROFITS BEFORE INCOME TAXES		266,213	856,005	2,283,267	7,568,568
Income taxes		(135,047)	(193,963)	(1,158,277)	(1,714,969)
PROFITS FOR THE PERIOD / YEAR		131,166	662,042	1,124,990	5,853,599

Accounting Manager

Yasser Shaker

General Manager

Dr. Ibrahim Shalaby

- The accompanying notes from (1) to (17) are an integral part of these financial statements.

REXCEL 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	Accumulated losses LE	Profits for the year / period LE	Total LE
Balance as of 1 January 2012	240,000	240,000	(2,185,121)	959,435	(745,686)
Transferred to accumulated losses	-	-	959,435	(959,435)	-
Profits for the year	-	-	-	662,042	662,042
Balance as of 31 December 2012	<u>240,000</u>	<u>240,000</u>	<u>(1,225,686)</u>	<u>662,042</u>	<u>(83,644)</u>
Transferred to accumulated losses	-	-	662,042	(662,042)	-
Profits for the period	-	-	-	131,166	131,166
Balance as of 31 March 2014	<u>240,000</u>	<u>240,000</u>	<u>(563,644)</u>	<u>131,166</u>	<u>47,522</u>

	Capital INR	Legal reserve INR	Accumulated losses INR	Profits for the year / period INR	Total INR
Balance as of 1 January 2012	2,058,442	2,058,442	(18,741,436)	8,228,922	(6,395,631)
Transferred to accumulated losses	-	-	8,228,922	(8,228,922)	-
Profits for the year	-	-	-	5,678,229	5,678,229
Balance as of 31 December 2012	<u>2,058,442</u>	<u>2,058,442</u>	<u>(10,512,514)</u>	<u>5,678,229</u>	<u>(717,401)</u>
Transferred to accumulated losses	-	-	5,678,229	(5,678,229)	-
Profits for the period	-	-	-	1,124,990	1,124,990
Balance as of 31 March 2014	<u>2,058,442</u>	<u>2,058,442</u>	<u>(4,834,285)</u>	<u>1,124,990</u>	<u>407,589</u>

- The accompanying notes from (1) to (17) are an integral part of these financial statements.

REXCEL 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 LE	From 1/1/2012 to 31/12/2012 LE	From 1/1/2013 to 31/3/2014 INR	From 1/1/2012 to 31/12/2012 INR
Cash Flows From Operating Activities					
Profits for the period / year before income taxes		266,213	856,005	2,283,267	7,568,568
Write down of inventory	(4,13)	285,366	218,319	2,447,539	1,930,318
	(4,13)				-
Reversal of write down of inventory		(14,550)	-	(124,793)	7,339
Impairment of other debit balances		-	830	-	-
Provisions	(8)	94,130	-	807,338	-
		631,159	1,075,154	5,413,351	9,506,225
Change in inventory		(437,365)	(22,067)	(3,751,210)	(195,111)
Change in trade and notes receivable		340,347	(163,080)	2,919,102	(1,441,910)
Change in due from related parties		95,029	(3,919,394)	815,049	(34,654,235)
Change in prepayments and other receivables	(6)	79,054	(99,226)	678,034	(877,330)
Change in trade and notes payable		36,667	(17,931)	314,487	(158,541)
Change in due to related parties		(421,976)	3,647,290	(3,619,221)	32,248,364
Change in accrued expenses and other payables	(9)	(88,781)	231,715	(761,461)	2,048,762
Cash Flows Provided from Operating Activities					
		234,134	732,461	2,008,130	6,476,225
Income tax paid	(8)	(193,963)	-	(1,663,590)	-
Provisions used	(4)	(9,760)	-	(83,710)	-
Used from write down of inventory		(336,257)	-	(2,884,023)	-
Net Cash Flows (Used in) Provided from Operating Activities					
		(305,846)	732,461	(2,623,193)	6,476,225
					-
					-
(Decrease) Increase in cash and cash equivalents-during the period / year					
		(305,846)	732,461	(2,623,193)	6,476,225
Cash and cash equivalent – beginning of the period / year		1,065,318	332,857	9,137,064	2,943,033
Cash and cash equivalent – end of the period / year	(7)	759,472	1,065,318	6,513,871	9,419,257

- The accompanying notes from (1) to (17) are an integral part of these financial statements.

REXCEL EGYPT COMPANY (L.L.C.)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2014

1 BACKGROUND

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

The company was registered in the commercial registry under no. 1178 on August 6, 1998. 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 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.
3. The company has the right to import equipment, machines, tools, and all raw materials concerning pharmaceutical & chemical products that help the company achieve its purposes.
4. Export, import and Commercial agencies

The company undertakes its activities in compliance with applicable regulatory laws and regulations provided that they obtain necessary licenses as applicable.

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.

REXCEL EGYPT COMPANY (L.L.C.)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2014

- 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.

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.

	Years
Machinery and equipment	3 - 5

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:

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 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.

2-6 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.

2-7 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.

REXCEL EGYPT COMPANY (L.L.C.)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2014

2-8 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.

2-9 Legal reserve

According to the Company's articles of association, 10% of the net profits of the year is transferred to the legal reserve until this reserve reaches 100% of the issued capital. The reserve is used upon a decision from the general assembly meeting based on the proposal of the management.

2-10 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.

2-11 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.

2-12 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.

2-13 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.

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.

2-14 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.

REXCEL EGYPT COMPANY (L.L.C.)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2014

2-15 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.

2-16 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.

2-17 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 management.

2-18 Statement of cash flows

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

2-19 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.

REXCEL EGYPT COMPANY (L.L.C.)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2014

3 FIXED ASSETS

	Machinery & Equipment LE	Total LE	Machinery & Equipment INR	Total INR
Cost				
As of 1 January 2013	209,518	209,518	1,797,003	1,797,003
As of 31 March 2014	<u>209,518</u>	<u>209,518</u>	<u>1,797,003</u>	<u>1,797,003</u>
Accumulated depreciation				
As of 1 January 2013	(209,518)	(209,518)	(1,797,003)	(1,797,003)
As of 31 March 2014	<u>(209,518)</u>	<u>(209,518)</u>	<u>(1,797,003)</u>	<u>(1,797,003)</u>
Net book value as of 31 March 2014	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net book value as of 31 December 2012	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Machinery and Equipment are fully depreciated and still being used in operations.

4 INVENTORY

	31/3/2014 LE	31/12/2012 LE	31/3/2014 INR	31/12/2012 INR
Raw and packing materials	1,007,889	442,275	8,644,504	3,910,477
Work in progress	35,313	-	302,874	-
Finished Goods	643,226	716,270	5,516,847	6,333,068
Goods in transit	4,930	4,737	42,284	41,883
Expired Goods	152,052	242,763	1,304,126	2,146,446
	<u>1,843,410</u>	<u>1,406,045</u>	<u>15,810,635</u>	<u>12,431,874</u>
Write down of slow moving inventory	(143,147)	(117,877)	(1,227,749)	(1,042,237)
Write down of expired goods	(152,052)	(242,763)	(1,304,126)	(2,146,446)
	<u>1,548,211</u>	<u>1,045,405</u>	<u>13,278,760</u>	<u>9,243,192</u>

- The amount of write down/reversal of write down of inventory was included in the cost of sales (note 13).
- 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	117,877	242,763	360,640
Charged during the period	70,618	214,748	285,366
Reclassification	(537)	537	-
Used during the period	(44,811)	(291,446)	(336,257)
Reversal of write down	-	(14,550)	(14,550)
Balance as of 31 March 2014	<u>143,147</u>	<u>152,052</u>	<u>295,199</u>
	Write down of slow moving inventory INR	Write down of expired goods INR	Total INR
Balance as of 1 January 2013	1,011,012	2,082,140	3,093,152
Charged during the period	605,679	1,841,860	2,447,539
Reclassification	(4,606)	4,606	-
Used during the period	(384,337)	(2,499,686)	(2,884,023)
Reversal of write down	-	(124,793)	(124,793)
Balance as of 31 March 2014	<u>1,227,749</u>	<u>1,304,126</u>	<u>2,531,875</u>

REXCEL EGYPT COMPANY (L.L.C.)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2014

5 TRADE AND NOTES RECEIVABLE

	31/3/2014	31/12/2012	31/3/2014	31/12/2012
	LE	LE	INR	INR
Trade receivable	563,222	806,881	4,830,666	7,134,226
Notes receivable	30,475	127,163	261,379	1,124,341
	593,697	934,044	5,092,045	8,258,568

6 PREPAYMENTS AND OTHER RECEIVABLES

	31/3/2014	31/12/2012	31/3/2014	31/12/2012
	LE	LE	INR	INR
Employees' advances & imprests	2,244	2,330	19,246	20,601
Prepaid expenses	3,607	2,396	30,937	21,185
Advances to suppliers	226	226	1,938	1,998
Tax authority – withholding taxes	397,187	482,708	3,406,610	4,267,975
Other debit balances	5,342	-	45,817	-
	408,606	487,660	3,504,549	4,311,760
Impairment of other debit balances	(830)	(830)	(7,119)	(7,339)
	407,776	486,830	3,497,430	4,304,421

7 CASH AT BANKS

	31/3/2014	31/12/2012	31/3/2014	31/12/2012
	LE	LE	INR	INR
a) Local Currency				
Current accounts	740,633	1,003,890	6,352,292	8,876,127
	740,633	1,003,890	6,352,292	8,876,127
b) Foreign currency				
Current accounts	18,839	61,428	161,579	543,130
	18,839	61,428	161,579	543,130
	759,472	1,065,318	6,513,871	9,419,257

8 TAX PROVISIONS

	Balance as of 1 January 2013	Charged during the period	Used	Balance as of 31 March 2014
	LE	LE	LE	LE
Tax provisions	19,178	94,130	(9,760)	103,548
	19,178	94,130	(9,760)	103,548

	Balance as of 1 January 2013	Charged during the period	Used	Balance as of 31 March 2014
	INR	INR	INR	INR
Tax provisions	164,487	807,338	(83,710)	888,115
	164,487	807,338	(83,710)	888,115

REXCEL EGYPT COMPANY (L.L.C.)

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9 ACCRUED EXPENSES AND OTHER PAYABLES

	31/3/2014	31/12/2012	31/3/2014	31/12/2012
	LE	LE	INR	INR
Accrued expenses	252,777	310,829	2,168,028	2,748,267
Tax authority – withholding tax	2,468	1,737	21,168	15,358
Tax authority – salaries tax	3,317	174	28,449	1,538
Tax authority – sales tax	8,335	34,446	71,488	304,562
Social insurance	1,326	1,197	11,373	10,584
Medical professional stamp	15,425	24,046	132,298	212,608
	283,648	372,429	2,432,804	3,292,918
Income tax payable	135,047	193,963	1,158,277	1,714,969
	418,695	566,392	3,591,081	5,007,887

10 DUE FROM / TO RELATED PARTIES

10-1 Due from related parties

	31/3/2014	31/12/2012	31/3/2014	31/12/2012
	LE	LE	INR	INR
Ranbaxy Egypt (L.L.C)	3,824,365	3,919,394	32,800,972	34,654,235
	3,824,365	3,919,394	32,800,972	34,654,235

10-2 Due to related parties

	31/3/2014	31/12/2012	31/3/2014	31/12/2012
	LE	LE	INR	INR
Current				
Ranbaxy Laboratories Limited (India)	4,226,515	4,649,095	36,250,149	41,106,057
Ranbaxy Egypt (L.L.C) - (Loan accrued interest)	18,712	18,108	160,490	160,106
	4,245,227	4,667,203	36,410,639	41,266,163
Non Current				
Ranbaxy Egypt (L.L.C) - (long term loan) *	2,173,000	2,173,000	18,637,476	19,213,086
	2,173,000	2,173,000	18,637,476	19,213,086

*This amount represents a loan granted from Ranbaxy Egypt (L.L.C) with an amount of L.E. 1,650,000 (INR 14,151,788) as per the contract dated December 28, 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%.

REXCEL EGYPT COMPANY (L.L.C.)

NOTES TO THE FINANCIAL STATEMENTS

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11 CAPITAL

The company's authorized capital amounted to L.E 240,000 (INR 2,058,442) while the issued and paid up capital of the company amounts to L.E 240,000 (INR 2,058,442) divided over 2400 quotas of par value L.E 100 each.

	Number of quotas	LE	INR	Percentage
Sarwat Girgis Abdel Shahid	1,200	120,000	1,029,221	50%
Ibrahim Wassim Shalaby	1,080	108,000	926,299	45%
Ola Abdel Kader Mohamed	60	6,000	51,461	2.5%
Ahmed Mohamed Faried Elmeligy	60	6,000	51,461	2.5%
	<u>2,400</u>	<u>240,000</u>	<u>2,058,442</u>	<u>100%</u>

12 SALES

	From 1/1/2013 to 31/3/2014	From 1/1/2012 to 31/12/2012	From 1/1/2013 to 31/3/2014	From 1/1/2012 to 31/12/2012
	LE	LE	INR	INR
Sales	6,491,535	7,101,077	55,769,813	62,509,481
Less:				
Allowable discounts	(1,815,561)	(1,774,369)	(15,597,774)	(15,619,445)
	<u>4,675,974</u>	<u>5,326,708</u>	<u>40,172,039</u>	<u>46,890,035</u>

13 COST OF SALES

	From 1/1/2013 to 31/3/2014	From 1/1/2012 to 31/12/2012	From 1/1/2013 to 31/3/2014	From 1/1/2012 to 31/12/2012
	LE	LE	INR	INR
Cost of goods sold	879,891	1,327,104	7,559,284	11,682,254
Other production expense	207,947	224,427	1,786,506	1,975,590
Product registration charges	23,750	59,767	204,040	526,118
Write down of expired & slow moving goods (Note 4)	285,366	218,319	2,451,625	1,921,822
Reversal of write down of inventory (Note 4)	(14,550)	-	(125,001)	-
Other expenses	21,942	20,072	188,507	176,690
	<u>1,404,346</u>	<u>1,849,689</u>	<u>12,064,961</u>	<u>16,282,474</u>

14 GOING CONCERN

The Extraordinary General Assembly dated 27 March 2013 agreed the continuous of the company despite the accumulated losses exceeded the paid up capital amounting to LE 563,644 (INR 4,834,285) as of 31 December 2012, while the company incurred cumulative losses amounting to LE 432,478 (INR 3,709,295) till the period ended 31 March 2014 which exceeded the paid up capital. The company depends on the financial support from the related parties in continuing its operations. In accordance with the Companies Law No. 159 of 1981 and its Executive Regulation and the Company's Articles of incorporation, an Extraordinary General Assembly will be convened to decide whether the company should continue its operations.

The financial statements are prepared on the assumption that the company will continue as a going concern in the foreseeable future.

REXCEL EGYPT COMPANY (L.L.C.)

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15 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 taxes

- The company's records were inspected for the years from 1999 till December 2004 and the company paid the due taxes.
- No tax inspection took place for the company's records since 2005 till date.

15-2 Salary Tax

- The company's records were inspected for the years from 1999 till December 2004 and the company paid the due taxes.
- The company's records were inspected from 2005 till December 2011 and the company has objected the assessment.
- No tax inspection took place for the company's records since 2012 till date.

15-3 Sales Tax

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

15-4 Stamp Tax

- No tax inspection took place for the company's records since inception till date.

16 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

- a. The Company's financial instruments are represented in financial assets and financial liabilities. The financial assets include cash 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 18,839 (INR 161,579) and the financial liabilities denominated in foreign currencies amounted to LE 4,443,182 (INR 38,108,467).

REXCEL EGYPT COMPANY (L.L.C.)

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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 is the risk of financial loss to the Company if its distributor is unable to meet its contractual obligations, and the company works on reducing such risk by dealing with limited number of well reputable distributors.

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.

17 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 (10).

The transactions that recognized in the income statement during the period are as follows:

Nature of transaction		From	From
		1/1/2013 to	1/1/2012 to
		31/3/2014	31/12/2012
		LE	LE
Ranbaxy Laboratories Limited (India)	Purchase of raw materials	57,322	295,461
	Commission for importing raw and packing materials (Revenues)	(342,068)	(388,227)
Ranbaxy company (Egypt)	Loan interest – Expenses	274,643	220,318
	Expenses charged from Ranbaxy (Cross Charge Expenses)	1,753,137	1,475,084
Nature of transaction		From	From
		1/1/2013 to	1/1/2012 to
		31/3/2014	31/12/2012
		INR	INR
Ranbaxy Laboratories Limited (India)	Purchase of raw materials	492,462	2,600,889
	Commission for importing raw and packing materials (Revenues)	(2,938,761)	(3,417,491)
Ranbaxy company (Egypt)	Loan interest – Expenses	2,359,502	1,939,419
	Expenses charged from Ranbaxy (Cross Charge Expenses)	15,061,480	12,984,894

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]