

**RANBAXY EGYPT COMPANY (L.L.C.)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015
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 2015, 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 2015, 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: 30 April 2015

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

RANBAXY EGYPT COMPANY (L.L.C.)

BALANCE SHEET

As Of 31 March 2015

	Note	31/3/2015 LE	31/3/2014 LE
Noncurrent assets			
Fixed assets	(3)	207,932	113,543
Projects under construction	(4)	54,271,563	31,462,843
Due from related parties	(5-1)	2,173,000	2,173,000
Deferred tax asset	(6)	204,281	131,149
Total noncurrent assets		56,856,776	33,880,535
Current assets			
Inventory	(7)	9,580,182	9,682,774
Trade and notes receivable	(8)	9,878,673	6,644,920
Prepayments and other receivables	(9)	2,039,464	2,960,709
Due from related parties	(5-1)	18,712	18,712
Cash on hand and at banks	(10)	8,947,922	5,860,935
Total current assets		30,464,953	25,168,050
Current liabilities			
Provisions	(11)	1,272,444	845,235
Trade and notes payable		525,074	442,863
Due to related parties	(5-2)	8,049,767	5,590,108
Accrued expenses and other payables	(12)	4,644,829	7,101,506
Income tax payable	(6)	1,511,252	453,526
Total current liabilities		16,003,366	14,433,238
Working capital		14,461,587	10,734,812
Total investment		71,318,363	44,615,347
Financed as follows			
Equity			
Issued and paid up capital	(13)	4,851,000	4,851,000
Legal reserve		816,731	760,096
Retained earnings		13,167,496	12,091,438
Profits for the year / period		2,887,486	1,132,693
Total equity		21,722,713	18,835,227
Noncurrent liabilities			
Due to related parties	(5-2)	49,595,650	25,780,120
Total finance of working capital and noncurrent assets		71,318,363	44,615,347

Financial Manager

Parmesh Adarkar

General Manager

Dr. Ibrahim Shalaby

- 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 2015

	Note	From 31/3/2014 to 31/3/2015 LE	From 1/1/2013 to 31/3/2014 LE
Sales	(14)	45,928,994	47,821,780
Cost of sales	(15)	(22,533,697)	(23,415,586)
GROSS PROFIT		23,395,297	24,406,194
Selling and marketing expenses		(9,678,988)	(12,435,944)
General and administrative expenses		(7,279,706)	(7,924,691)
Provisions	(11)	(427,209)	(401,847)
Foreign exchange differences		(594,588)	(525,611)
OPERATING PROFITS		5,414,806	3,118,101
Gain from sale of fixed assets		-	1,237
Interest income		220,318	274,643
Finance expenses		(1,397,804)	(1,940,020)
Other income		88,286	199,258
PROFITS BEFORE INCOME TAXES		4,325,606	1,653,219
Income taxes	(6)	(1,438,120)	(520,526)
PROFITS FOR THE YEAR / PERIOD		2,887,486	1,132,693

Financial Manager

Parmesh Adarkar

General Manager

Dr. Ibrahim Shalaby

- 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 2015

	Capital LE	Legal reserve LE	Retained earnings LE	Profits for the period /year LE	Total LE
Balance as of 1 January 2013	4,851,000	515,907	7,451,850	4,883,777	17,702,534
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	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

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

RANBAXY EGYPT COMPANY (L.L.C.)

STATEMENT OF CASH FLOWS

For The year ended 31 March 2015

	Note	From 31/3/2014 to 31/3/2015	From 1/1/2013 to 31/3/2014
		LE	LE
Cash Flows From Operating Activities			
Profits for the before income taxes		4,325,606	1,653,219
Fixed assets depreciation	(3)	66,699	80,396
Write down of expired and slow moving inventory	(7)	1,216,064	913,354
Reversal of write down of inventory	(7)	(306,180)	(109,028)
Gain from sale of fixed assets		-	(1,237)
Interest revenue		(220,318)	(274,643)
Provisions	(11)	427,209	401,847
		5,509,080	2,663,908
Change in inventory	(7)	(807,292)	286,360
Change in trade and notes receivable	(8)	(3,233,753)	6,378,152
Change in prepayments and other receivables	(9)	921,245	(2,268,449)
Change in due from related parties	(5-1)	-	(604)
Change in trade and notes payable		82,211	157,647
Change in due to related parties	(5-2)	2,459,659	1,648,174
Change in accrued expenses and other payables	(12)	(2,456,677)	3,588,400
Cash Flows Provided from Operating Activities		2,474,473	12,453,588
Income tax paid		(453,526)	(1,468,508)
Net Cash Flows (Used in) provided from Operating Activities		2,020,947	10,985,080
Cash Flows From Investing Activities			
Payments for purchase of fixed assets	(3)	(161,088)	(42,921)
Proceeds from sale of fixed assets		-	1,399
Interest income received		220,318	274,643
Payments in projects under construction	(4)	(22,808,720)	(26,192,719)
Net Cash Flows (Used In) Investing Activities		(22,749,490)	(25,959,598)
Cash Flows From Financing Activities			
Receipt of long term loan from related parties	(5-2)	23,815,530	20,826,520
Net Cash Flows Provided From Financing Activities		23,815,530	20,826,520
Increase in cash and cash equivalents-during the year / period		3,086,987	5,852,002
Cash and cash equivalent – beginning of the year / period		5,860,935	8,933
Cash and cash equivalent – end of the year / period	(10)	8,947,922	5,860,935

- 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 2015

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. 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 10th of December 2013 the financial year end was changed from 31 December to 31 March.

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 2015

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 2015

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 2015

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 2015

3 FIXED ASSETS

	Machinery & Equipment LE	Tools & Furniture LE	Office Equipment LE	Leasehold Improvements LE	Total LE
Cost					
As of 31 March 2014	252,327	147,095	697,191	100,343	1,196,956
Additions		9,735	151,353	-	161,088
As of 31 March 2015	<u>252,327</u>	<u>156,830</u>	<u>848,544</u>	<u>100,343</u>	<u>1,358,044</u>
Accumulated depreciation					
As of 31 March 2014	(252,327)	(115,671)	(615,072)	(100,343)	(1,083,413)
Depreciation for the period	-	(8,905)	(57,794)	-	(66,699)
As of 31 March 2015	<u>(252,327)</u>	<u>(124,576)</u>	<u>(672,866)</u>	<u>(100,343)</u>	<u>(1,150,112)</u>
Net book value as of 31 March 2015	<u>-</u>	<u>32,254</u>	<u>175,678</u>	<u>-</u>	<u>207,932</u>
Net book value as of 31 March 2014	-	31,424	82,119	-	113,543

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

- The depreciation of fixed assets are charged as follows:

	From 31/3/2014 to 31/3/2015 LE	From 1/1/2013 to 31/3/2014 LE
General and administrative expenses	53,495	77,494
Projects under construction	13,204	2,902
Total	<u>66,699</u>	<u>80,396</u>

RANBAXY EGYPT COMPANY (L.L.C.)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2015

4 PROJECT UNDER CONSTRUCTION

	31/3/2015	31/3/2014
	LE	LE
Beginning Balance	31,462,843	5,270,124
Additions during the year / period	22,808,720	26,192,719
Balance at year end	54,271,563	31,462,843

5 DUE FROM / TO AND RELATED PARTIES

5-1 Due from related parties

	31/3/2015	31/3/2014
	LE	LE
Current		
Rexcel Egypt (Loan) Accrued interest	18,712	18,712
	18,712	18,712
Non Current		
Rexcel Egypt (L.L.C) (Loan Principal) *	2,173,000	2,173,000
	2,173,000	2,173,000

*This amount represents a loan granted to Rexcel Egypt with an amount of L.E. 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

	31/3/2015	31/3/2014
	LE	LE
Current		
Ranbaxy Netherland (loan accrued interest)	124,644	277,352
Rexcel Egypt (L.L.C)	4,815,242	3,824,365
Ranbaxy Laboratories Limited (India)	3,109,881	1,488,391
	8,049,767	5,590,108
Non Current		
Ranbaxy Netherland (Loan Principal) *	49,595,650	25,780,120
	49,595,650	25,780,120

* 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 49,595,650) at the balance sheet date (31 March 2014: USD 3,700,000 (Equivalent to LE 25,780,120) 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 2015

6 INCOME TAXES

	31/3/2015	31/3/2014
	LE	LE
Current income tax	(1,511,252)	(453,526)
Deferred tax	73,132	(67,000)
	<u>(1,438,120)</u>	<u>(520,526)</u>

(A) Recognized deferred tax Assets (liabilities)

	Balance sheet		Income statement	
	31/3/2015	31/3/2014	From 31/3/2014 to 31/3/2015	From 1/1/2013 to 31/3/2014
	LE	LE	LE	LE
Depreciation of fixed assets	(10,844)	(239)	(10,605)	2,930
Write down of inventories (expired goods)	215,125	131,388	83,737	(69,930)
Net deferred income tax Assets (liabilities)	<u>204,281</u>	<u>131,149</u>	<u>73,132</u>	<u>(67,000)</u>

(B) Reconciliation of effective tax rate

	2014	2013
	LE	LE
Net profits before income taxes	4,325,606	1,653,219
Depreciation of fixed assets	(55,630)	19,335
Provision for expected claims	427,209	401,847
Write down of inventory	1,216,064	913,354
Provision for sales return	325,229	167,206
Reversal of write down of inventory	(306,180)	(109,028)
Capital gain	-	(1,237)
Inventory provision used	(688,563)	(1,234,962)
Allowance for doubtful accounts	(5,553)	-
Sales return provision used	(147,131)	(152,000)
Provision for claims used	-	(42,846)
Nondeductible expenses	113,122	199,215
Taxable income	5,204,173	1,814,103
Tax bases at 25%	1,301,043	453,526
Tax base at 5%	210,209	-
	35%	27.43%
	<u>1,511,252</u>	<u>453,526</u>

7 INVENTORY

	31/3/2015	31/3/2014
	LE	LE
Raw and packing materials	4,599,274	5,865,274
Goods in transit	92,137	1,086,946
Work in progress	3,066,736	1,066,872
Finished Goods	2,187,927	2,143,202
Expired Goods	860,501	525,552
	<u>10,806,575</u>	<u>10,687,846</u>
Write down of slow moving inventory	(365,891)	(479,520)
Write down of expired Goods	(860,502)	(525,552)
	<u>9,580,182</u>	<u>9,682,774</u>

RANBAXY EGYPT COMPANY (L.L.C.)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2015

- 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 2015 represented as follows:

	Write down of slow moving inventory	Write down of expired goods	Total
	LE	LE	LE
Balance as of 31 March 2014	479,520	525,552	1,005,072
Charged during the period	376,136	839,928	1,216,064
Used during the period	(250,467)	(438,096)	(688,563)
Reversal of write down	(239,298)	(66,882)	(306,180)
Balance as of 31 March 2015	365,891	860,502	1,226,393

8 TRADE AND NOTES RECEIVABLE

	31/3/2015	31/3/2014
	LE	LE
Trade receivable	9,338,104	6,667,084
Notes receivable	570,851	13,671
	9,908,955	6,680,755
Impairment of trade and notes receivable	(30,282)	(35,835)
	9,878,673	6,644,920

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

	31/3/2015	31/3/2014
	LE	LE
At 1 January	35,835	35,835
Written off	(5,553)	-
At 31 December	30,282	35,835

9 PREPAYMENTS AND OTHER RECEIVABLES

	31/3/2015	31/3/2014
	LE	LE
Imprest funds and advances	266,095	284,927
Prepaid expenses	157,657	181,552
Advances to suppliers	921,010	2,017,848
Refundable deposits	27,875	18,900
Tax authority – withholding taxes	884,947	276,971
Other debit balances	142,209	540,840
	2,399,793	3,321,038
Impairment of other receivables	(360,329)	(360,329)
	2,039,464	2,960,709

RANBAXY EGYPT COMPANY (L.L.C.)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2015

10 CASH ON HAND AND AT BANK

	31/3/2015	31/3/2014
	LE	LE
a) Local Currency		
Cash on hand	665	2,136
Current accounts	3,793,804	1,840,483
	<u>3,794,469</u>	<u>1,842,619</u>
b) Foreign currency		
Cash on hand	1,160	1,160
Current accounts	5,152,293	4,016,481
	<u>5,153,453</u>	<u>4,018,316</u>
	<u>8,947,922</u>	<u>5,860,935</u>

11 PROVISIONS

	Balance as of 31 March 2014	Charged during the period	Balance as of 31 March 2015
	LE	LE	LE
Provisions for expected claims	845,235	427,209	1,272,444
	<u>845,235</u>	<u>427,209</u>	<u>1,272,444</u>

12 ACCRUED EXPENSES AND OTHER PAYABLES

	31/3/2015	31/3/2014
	LE	LE
Accrued expenses	2,424,826	2,539,300
Fixed assets creditors	774,306	3,691,398
Tax authority – salaries taxes	312,627	163,404
Tax authority – withholding taxes	37,664	96,255
Tax authority – sales taxes	357,661	159,152
Social insurance authority	153,036	156,984
Medical stamp tax	204,624	115,866
Other credit balances	380,085	179,147
	<u>4,644,829</u>	<u>7,101,506</u>

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>

RANBAXY EGYPT COMPANY (L.L.C.)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2015

14 SALES

	From 31/3/2014 to 31/3/2015	From 1/1/2013 to 31/3/2014
	LE	LE
Sales	66,798,994	69,244,282
Less:		
Allowable discounts	(20,870,000)	(21,422,502)
	<u>45,928,994</u>	<u>47,821,780</u>

15 COST OF SALES

	From 31/3/2014 to 31/3/2015	From 1/1/2013 to 31/3/2014
	LE	LE
Cost of goods sold	21,045,344	22,103,814
Other production expense	437,384	339,288
Product registration charges	70,807	65,700
Write down of inventory (Note 7)	1,216,064	913,354
Reversal of write down of inventory (Note 7)	(306,180)	(109,028)
Other expenses	70,278	102,458
	<u>22,533,697</u>	<u>23,415,586</u>

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 2013.

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 and 2013.

16-3 Sales Tax

- The company's records were inspected from inception till year 2011 and the taxes due were paid.
- No tax inspection took place for the company's records for the years from 2012 till 2013.

16-4 Stamp Tax

- The company's records were inspected since inception till July 2006 and the taxes due were paid
- No tax inspection took place for the company's records from August 2006 till year 2013

RANBAXY EGYPT COMPANY (L.L.C.)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2015

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 5,186,032 and the financial liabilities denominated in foreign currencies amounted to LE 53,592,316.

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

31 March 2015

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		From 31/3/2014 to 31/3/2015 LE	From 1/1/2013 to 31/3/2014 LE
Ranbaxy Laboratories Limited (India)	Purchase of raw materials through Rexcel Egypt	8,779,644	7,812,087
Rexcel company (Egypt)	Commission Expense for Rexcel for importing raw and packing materials	371,105	342,068
	Purchases through Rexcel (Other suppliers)	3,571,707	5,579,503
	Loan interest (Revenue)	220,318	274,643
	Expenses charged to Rexcel (Cross charge expenses)	1,031,692	1,753,137
Ranbaxy Netherlands B.V	Loan interest (Capitalized on project under constructions)	1,019,869	541,832

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 2013 have been reclassified to conform to the current year's presentation.