CIPLA FZE

(JEBEL ALI FREE ZONE ESTABLISHMENT)

P.O. Box 17518, Dubai, United Arab Emirates

FINANCIAL STATEMENTS

AND

AUDITOR'S REPORT

FOR THE YEAR ENDED

MARCH 31, 2010

CONTENTS

MEMBER FIRM OF
DFK
INTERNATIONAL

ان. آر. دوشي وشركاه
محاسبون قانونيون
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Independent auditor's report to the sole shareholder of

CIPLA FZE
(JEBEL ALI FREE ZONE ESTABLISHMENT)
P.O. Box 17518, Jebel Ali Free Zone, Dubai, United Arab Emirates

We have audited the accompanying financial statements of **CIPLA FZE**, which comprise the statement of financial position as of March 31, 2010, and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to financial statement as set out on pages 3 to 13.

Management's responsibility for the financial statements

Management of the establishment is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility include: 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; 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 these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether 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 judgement, including the assessment of the risk 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 establishment'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 establishment'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.

(Auditor's report - continued on next page...)

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(Independent auditor's report of CIPLA FZE - continued...)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the establishment as of March 31, 2010, and its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards.

Report on other legal and regulatory requirements

We also confirm that, in our opinion, the financial statements include in all material respects, the applicable requirements of the Jebel Ali Free Zone Rules and Regulations laid pursuant to Law No. 9 of 1992 of H.H. Sheikh Maktoum Bin Rashid Al Maktoum, Ruler of Dubai and the Implementing Regulations issued there under by the Jebel Ali Free Zone Authority; proper books of account have been kept by the establishment. We have obtained all the information and explanations which we required for the purpose of our audit and, to the best of our knowledge and belief, no violations of the Jebel Ali Free Zone Rules and Regulations laid pursuant to Law No. 9 of 1992 of H.H. Sheikh Maktoum Bin Rashid Al Maktoum, Ruler of Dubai and the Implementing Regulations issued there under by the Jebel Ali Free Zone Authority, have occurred during the year which would have had a material effect on the business of the establishment or on its financial position.

N. R. Doshi & Co.

P.O. Box 13742
DUBAI - U.A.E.
N.R. Doshi & Co Chartered Accountants

Chartered Accountants

Dubai, United Arab Emirates

Date: April 21, 2010

CIPLA FZE
(JEBEL ALI FREE ZONE ESTABLISHMENT)
P.O. Box 17518, Jebel Ali Free Zone, Dubai, United Arab Emirates

Statement of financial position
As at 31, March

All figures are expressed in U.A.E. Dirhams

	Note	31.3.2010	31.3.2009
Current assets			
Trade receivables	5	11,414,718	11,408,817
Bank balances	6	1,003,350	285,511
Deposits and prepayments		35,287	1,778
Total assets	(A)	**12,453,355**	**11,696,106**
Equity			
Share capital		15,000,000	1,000,000
Retained earnings		(2,556,645)	(2,121,094)
Loan taken from parent company	8	0	11,532,251
	(B)	12,443,355	10,411,157
Current liability			
Accruals and provisions	7	10,000	1,284,949
Total liability	(C)	10,000	1,284,949
Total equity and liability	(B+C)	**12,453,355**	**11,696,106**

The accompanying notes form an integral part of these financial statements.

We approve these financial statements and confirm that we are responsible for them, including selecting the accounting policies and making the judgments underlying them. We also confirm that we have made available all relevant accounting records and information for their compilation. These financial statements on pages 3 to 13 are approved on April 21, 2010 and signed by

Dr. Y.K. Hamied
Director

Davinder Singh
Director

Auditor's report - pages 1 and 2

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CIPLA FZE
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Statement of comprehensive income
For the year ended 31 March

All figures are expressed in U.A.E. Dirhams

		1.4.2009 to 31.3.2010	1.4.2008 to 31.3.2009
Continuing operation			
Other income	9	5,898	0
Salary		(177,900)	(39,500)
Rent		(27,952)	(33,174)
Bank charges		(1,780)	(1,000)
Other administration expenses	10	(71,500)	(125,644)
Balance written off		(17,110)	0
Result from operating activities		(290,343)	(199,317)
Interest income		29	308
Interest expense	8	(145,237)	(624,424)
Net finnace costs		(145,208)	(624,116)
Total comprehensive income		(435,551)	(823,433)

The accompanying notes form an integral part of these financial statements.

These financial statements on pages 3 to 13 are approved on April 21, 2010 and signed by

Dr. Y.K. Hamied
Director

Davinder Singh
Director

Auditor's report - pages 1 and 2

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Statement of changes in equity
For the year ended 31 March

All figures are expressed in U.A.E. Dirhams

	Share capital	Retained earning	Loan taken from parent company	Total
Balance at 1.4.2008	1,000,000	(1,297,661)	11,532,251	11,234,590
Total comprehensive income for the year				
Loss for the year	0	(823,433)	0	(823,433)
Total comprehensive income for the year	0	(823,433)	0	(823,433)
Contributions by and distributions to shareholder				
Funds withdrawn (net)	0	0	0	0
Total transaction with shareholder	0	0	0	
Balance as at 31.3.2009	1,000,000	(2,121,094)	11,532,251	10,411,157
Balance at 1.4.2009	1,000,000	(2,121,094)	11,532,251	10,411,157
Total comprehensive income for the year				
Loss for the year	0	(435,551)	0	(435,551)
Total comprehensive income for the year	0	(435,551)	0	(435,551)
Contributions by and distributions to shareholder				
Share capital introduced (net)	14,000,000	0	0	14,000,000
Loan repaid	0	0	(11,532,251)	(11,532,251)
Total transaction with shareholder	14,000,000	0	(11,532,251)	2,467,749
As at 31.3.2010	15,000,000	(2,556,645)	0	12,443,355

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Statement of cash flow
For the year ended 31 March

All figures are expressed in U.A.E. Dirhams

		1.4.2009 to 31.3.2010	1.4.2008 to 31.3.2009
I. Cash flow from operating activities			
Net loss for the year		(435,551)	(823,433)
Operating loss before changes in operating assets and liabilities		(435,551)	(823,433)
Change in trade receivables		(5,900)	102,025
Change in deposits and prepayments		(33,509)	0
Change in accruals and provisions		(1,274,950)	623,042
Net cash used in operating activities		(1,749,911)	(98,366)
II. Cash flow from financing activities			
Capital introduced		14,000,000	0
Change in loans taken from parent company		(11,532,251)	0
Net cash flow from financing activities		2,467,749	0
Increase (decrease) in cash and cash equivalents	(I + II)	717,838	(98,366)
Cash and cash equivalents at beginning of the year	(Note 3f, 6)	285,511	383,877
Cash and cash equivalents at end of the year	(Note 3f, 6)	1,003,350	285,511
Supplemental cash flow statement information			
Non-cash transactions		Nil	Nil

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Notes to financial statements
For the year ended 31 March

All figures are expressed in U.A.E. Dirhams

1. **Legal status, business activities and management**

a. **Legal status**

CIPLA FZE has been formed as a Free Zone Establishment with limited liability pursuant to Law No. 9 of 1992 of H.H. Sheikh Maktoum Bin Rashid Al Maktoum, Ruler of Dubai and Implementing Regulations issued there under by the Jebel Ali Free Zone Authority.

The Jebel Ali Free Trade Zone, Government of Jebel Ali, U.A.E. has issued the Certificate of Formation Regn. No. 1413 dated October 4, 2006.

The issued and paid up capital of the establishment is AED. 1,000,000/- divided into 1 share of AED. 1,000,000/- held by **CIPLA LIMITED**, Mumbai, India.

The establishment has with effect from January 21, 2010, increased the issued and paid up capital of the establishment to AED. 15,000,000/- divided into 15 shares of AED. 1,000,000/- held by **CIPLA**

The registered office of the establishment is located at Office No. LB17132, Jebel Ali Free Zone, Dubai, U.A.E.

b. **Business activities**

The establishment is engaged in trading in pharmaceuticals (for Re-export only) and related machinery. As the establishment trades in direct shipments, there is no closing inventory as at the financial position date.

c. **Management**

The establishment is managed by the following:

Name	Nationality	Designation
Dr. Y.K. Hamied	Indian	Director
Mr. Amar Lulla	Indian	Director
Mr. Davinder Singh	Indian	Director
Mr. Rajesh Ghangurde	Indian	Secretary and Manager

The day-to-day affairs of the establishment are managed by Mr. Rajesh Ghangurde. During the year, no employees have been employed by the establishment.

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2. Basis of preparation

a. Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

b. Basis of measurement

These financial statements have been prepared on historical cost basis as modified by revaluation of financial assets and financial liabilities at fair values.

c. Estimate and assumption

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

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

In the process of applying the accounting policies, which are described in Note 3, the directors are of the opinion that any instances of application of judgements are not expected to have a significant effect on the amounts recognised in the financial statements. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in these financial statements.

3. Significant accounting policies

The following accounting policies have been consistently applied by the management in the preparation of the financial statements.

These financial statements are prepared under accrual basis of accounting. Under the accrual basis of accounting, transactions and events are recognised when they occur (and not as cash or its equivalent is received or paid) and they are recorded in the accounting records and reported in the financial statements of the year to which they relate.

a. Trade receivables

Trade receivables are carried at anticipated realisable value. An allowance is made for doubtful receivables based on a review of all outstanding amounts at the year-end. Bad debts are written off during the year in which they are identified.

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b. Provisions

A provision is recognised in the financial position when the establishment has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Employee entitlements to air passage and leave salary are accounted as and when paid to the employees. Employee entitlements to employee terminal benefits is recognised when they accrue to employees. A provision is made for the estimated liability for employee terminal benefits as a result of services rendered by employees up to the financial position date as per the U.A.E. Laws regulating employment relationship. Provision made for employee terminal benefits are disclosed as non-current liabilities.

c. Impairment of assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment wherever events or changes in circumstances indicate that carrying amount may not be recoverable. An impairment loss is recognised in the income statement for the amount by which the assets carrying value exceeds its recoverable amount. Recoverable amount is higher of the value in use and the realisable amount of the asset.

d. Revenue recognition

Revenue is recognised when the establishment has transferred to the buyer the significant risks and rewards of ownership of goods.

e. Foreign currencies

i. Transactions in foreign currencies are converted into U.A.E. Dirhams at rates ruling when entered into.

ii. Monetary foreign currency balances are converted into U.A.E. Dirhams at the rate of exchange ruling at the financial position date.

iii. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Foreign currency differences arising on retranslation are recognised in profit or loss.

f. Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprises of cash in hand, bank current and call accounts, bank overdrafts repayable on demand and bank fixed deposits free from lien with a maturity date of three months or less from the date of deposit.

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4. **Financial risk management**

Financial risk factors

i. **Overview**

The establishment has exposure to the following risks from its use of financial instruments:

Credit risk
Liquidity risk
Market risk
Operational risk

This note presents information about the establishment's exposure to each of the above risks, the establishment's objectives, policies and processes for measuring and managing risk, and the establishment's management of capital. Further quantitative disclosures are included throughout these financial statements.

ii. **Risk management framework**

The management has overall responsibility for developing and monitoring the establishment's risk management policies.

The establishment's risk management policies are established to identify and analyse the risks faced by the establishment, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the establishment's activities.

a. **Credit risk**

Credit risk is the risk of financial loss to the establishment if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the establishment's receivables from customers and other parties.

Trade receivables

The establishment's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, the management also considers the demographics of the establishment's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly in the currently deteriorating economic circumstances.

The management has established a credit policy under which each new customer is analysed individually for creditworthiness before the standard payment and delivery terms and conditions are offered. The establishment's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount. Customers that fail to meet the establishment's benchmark creditworthiness may transact with the establishment only on a prepayment basis.

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b. **Liquidity risk**

Liquidity risk is the risk that the establishment will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The establishment's approach to managing 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 establishment's reputation.

Typically, the establishment ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The establishment has a commitment from its parent of a continuous support in terms of cash flow management.

c. **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the establishment's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The establishment's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the establishment's financial performance.

d. **Operational risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the establishment's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the establishment's operations.

The establishment's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the establishment's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

As at 31 March	**2010**	**2009**
5. Trade receivables		
Trade debtors	11,414,718	11,408,817

Notes:

i. Changes are on account of restatement of foreign currencies as at the financial position date.

ii. Ageing of trade receivables: Above 360 days	11,414,716	11,408,817
	11,414,716	11,408,817

iii. No allowance is required towards outstanding debtors as the management has explained that, the previous year's shipments have long term payment terms to be repaid over a period of seven years and that the establishment is following up with the party for the receivables.

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As at 31 March

	2010	2009
6. Bank balances		
- Current account	1,003,350	285,511
Cash and cash equivalents	1,003,350	285,511
7. Accruals and provisions		
Interest payable (Refer note 8)	0	1,268,910
Other accruals	10,000	16,040
	10,000	1,284,949
8. Loan taken from parent company		
Loan amount	0	11,532,251

Loan is unsecured, interest bearing at floating rate of interest and is repaid fully during the current financial year. During the current year, interest amounting to AED. 145,237/- has been paid on the loan amount (Previous year 2008 - 09 AED. 624,424/-).

	2010	2009
9. Other income		
Foreign exchange gain	5,898	0
10. Other administrative expenses		
License and filing	59,000	14,500
Other expenses	10,500	10,500
Foreign travel	2,000	0
Foreign exchange loss	0	100,644
	71,500	125,644

11. Financial instruments

In accordance with the International Accounting Standard 32 regarding financial instruments the following disclosures are made.

Financial instruments means financial assets, financial liabilities and equity instruments.

Financial assets include bank balances, trade receivables, deposits and advances. Financial liabilities include provisions and accruals.

a. **Fair values**

The fair values of financial assets approximate their carrying values.

b. **Credit risk, interest rate risk and exchange rate risk exposure**

i. **Credit risk**

Financial assets, which potentially expose the establishment to credit risk, comprises mainly of bank balances and trade receivables.

The establishment's bank accounts are placed with high credit quality financial institution.

As of March 31, 2010, single party's balance itself represents 100% of the total value of trade receivables outstanding. The debtor party is located in Uganda.

ii. **Interest rate risk**

The establishment pays interest at prevailing floating rates on loan payable to the Parent Company. As the establishment does not have any outside borrowings, it is not exposed to any interest rate risk.

iii. **Exchange rate risk**

There are no exchange rate risks, as substantially all the transactions are denominated in U.A.E. Dirhams or US Dollars to which the U.A.E. Dirham is fixed.

12. Significant events occurring after the financial position date

There were no significant events occurring after the financial position date, which require disclosure in the financial statements.

13. Previous year's figures

Previous year's figures have been re-grouped or re-classified wherever necessary so as to conform to the current year's presentation.

14. In the opinion of the management, all the assets as shown in the financial statements are existing and realisable at the amount shown against them and there are no liabilities against the establishment, contingent or otherwise, not included in the above financial statements.

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