

# Wyeth

Leading the Way to  
a Healthier World

Financial Statements for the  
Nine months period ended  
September 30, 2008

WYETH PAKISTAN LIMITED

**CONTENTS**

Company Information .....2

Directors' Report.....3

Condensed Interim Balance Sheet.....4

Condensed Interim Profit & Loss Account .....5

Condensed Interim Statement of Changes in Equity.....6

Condensed Interim Cash Flow Statement .....7

Notes to and Forming Part of the Condensed Interim  
Financial Statements .....8-12

## COMPANY INFORMATION

### BOARD OF DIRECTORS

Arshad Rahim Khan	Chairman, Chief Executive & Managing Director
Mark Larsen	Alternate : Javed Iqbal
Baldev Arora	Alternate : Abdul Naseer
Cecile Guegan	Alternate : Aliya Yusuf
Gaetan Crucke	Alternate : Dr. Nadim ur Rehman
Behram Hasan	Nominee of N.I.T.
Khwaja Bakhtiar Ahmed	

### COMPANY SECRETARY

Khwaja Bakhtiar Ahmed

### AUDIT COMMITTEE

Javed Iqbal	Chairman
Aliya Yusuf	
Abdul Naseer	

### BANKERS

Citibank, N.A.  
RBS (The Royal Bank of Scotland)  
Standard Chartered Bank

### AUDITORS

A.F.Ferguson & Co.  
Chartered Accountants

### LEGAL ADVISORS

Orr. Dignam & Company  
Syed Qamaruddin Hassan

### SHARE REGISTRAR

THK Associates (Pvt.) Ltd.  
Ground Floor, State Life Building # 3,  
Dr. Ziauddin Ahmad Road, Karachi-75530.  
Ph. # 5689021, 5686658 & 111-000-322

### HEAD OFFICE / REGISTERED OFFICE

S-33, Hawkes Bay Road, S.I.T.E.,  
G.P.O. Box No.167, Karachi.  
Ph. # 92-21-2354651-61 & 111-777-333  
Fax # 92-21-2354681

Website: [www.wyethpakistan.com](http://www.wyethpakistan.com)

**Note:** These accounts are also available on our website.

**DIRECTORS' REPORT**

We present the financial statements of your company for the third quarter and nine months period ended September 30, 2008.

**Performance of Current Quarter 2008**

The company achieved a domestic sales growth of 4.6% in this quarter whereas export sales was down by 42%. Gross profit as a percentage of sales has declined to 32.6% from 35.2% over same period last year due to increasing cost.

In view of declining profitability we are closely monitoring our operating expenses and have reduced our distribution costs and administrative expenses by 14% and 40% respectively as compared to same quarter of last year.

Other operating income is slightly higher due to higher return on bank deposits. Other operating expenses are very high due to heavy exchange translation loss booked as of September 30, 2008.

In the current environment of rising inflation and cost increase, without immediate price adjustment of pharmaceutical products by the Government, it will be difficult to maintain the profitability of the operation in the coming quarters, despite increase in local sales.

**Results of Nine Months Period 2008**

Domestic sales increased by 8.4%, however export sales decreased by 30% due to reduced demand. Thus net sales growth is 5%.

Profit after tax was 5.9% of net sales as compared to 12% of net sales for the nine months period ended of last year, mainly because of very high inflation and heavy exchange losses due to continuous depreciation of Pak Rupee against US Dollar.

**Future Prospect**

On one hand, we are making our operations more efficient and on the other hand, we look even more keenly towards Government to consider across the board price adjustment for pharmaceutical products.

On behalf of the board of directors, we would like to express our sincere gratitude to the employees and management of the company for their continued, dedicated and untiring efforts.



**Arshad Rahim Khan**  
Chief Executive




**Khwaja Bakhtiar Ahmed**  
Director

Date : **October 30, 2008**

## CONDENSED INTERIM BALANCE SHEET AS AT SEPTEMBER 30, 2008 (UNAUDITED - NOTE 2)

	Note	September 30, 2008	December 31, 2007
		(Rupees '000)	
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	3	215,935	217,458
Long-term loans		10,629	8,613
Long-term deposits		2,287	2,287
		<u>228,851</u>	<u>228,358</u>
<b>CURRENT ASSETS</b>			
Spares		2,446	2,231
Stocks		655,194	563,189
Trade debts		207,169	138,572
Loans and advances		32,356	11,121
Deposits and prepayments		15,786	10,054
Interest accrued		11,146	4,673
Other receivables		23,376	16,128
Taxation - net		97,889	71,315
Short - term investments		555,000	720,000
Cash and bank balances		77,943	51,993
		1,678,305	1,589,276
Non-current assets classified as held for sale		-	7,100
		<u>1,907,156</u>	<u>1,824,734</u>
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital		142,161	142,161
Reserves		1,038,427	1,078,257
Unappropriated profit		42,929	191,035
		<u>1,223,517</u>	<u>1,411,453</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred taxation		11,663	9,213
<b>CURRENT LIABILITIES</b>			
Trade and other payables		671,976	404,068
<b>CONTINGENCIES AND COMMITMENTS</b>			
	4	-	-
		<u>1,907,156</u>	<u>1,824,734</u>

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.

  
Arshad Rahim Khan  
Chief Executive

  
Khwaja Bakhtiar Ahmed  
Director

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT  
FOR THE QUARTER AND NINE MONTHS PERIOD ENDED  
SEPTEMBER 30, 2008 (UNAUDITED - NOTE 2)**

	For the quarter ended		For the nine months period ended	
	Sep. 30, 2008	Sep. 30, 2007 (restated)	Sep. 30, 2008	Sep. 30, 2007 (restated)
	(Rupees '000)		(Rupees '000)	
Net sales	558,813	558,283	1,722,571	1,640,685
Cost of sales - note 5	376,434	361,549	1,208,422	1,044,291
Gross profit	182,379	196,734	514,149	596,394
Distribution cost - note 5	70,982	82,613	262,843	254,805
Administrative expenses - note 5	21,229	35,690	79,326	84,592
	92,211	118,303	342,169	339,397
Operating profit	90,168	78,431	171,980	256,997
Other operating income	18,641	17,665	54,239	51,753
	108,809	96,096	226,219	308,750
Other operating expenses	43,221	7,343	75,624	23,731
Finance costs	226	43	682	525
	43,447	7,386	76,306	24,256
Profit before taxation	65,362	88,710	149,913	284,494
Taxation				
Current - for the period	16,190	23,573	50,504	81,802
- for prior years'	-	134	-	9,471
Deferred	7,453	392	2,450	(1,117)
	23,643	24,099	52,954	90,156
Profit after taxation	41,719	64,611	96,959	194,338
	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>
Basic earnings per share	29.35	45.45	68.20	136.70

Note: The appropriations from profits are set out in the statement of changes in equity.

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.



**Arshad Rahim Khan**  
Chief Executive




**Khwaja Bakhtiar Ahmed**  
Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE NINE MONTHS PERIOD ENDED  
SEPTEMBER 30, 2008 (UNAUDITED - NOTE 2)**

	Issued, subscribed and paid up share capital	RESERVES			Unappropriated profit	Total
		General reserve	Other	Sub total		
.....(Rupees '000).....						
Balance at January 1, 2007	142,161	844,000	1,290	845,290	275,476	1,262,927
Transfer to general reserve	-	230,000	-	230,000	(230,000)	-
Final dividend for the year ended December 31, 2006 @ 40%	-	-	-	-	(56,864)	(56,864)
Interim dividend for the year ended December 31, 2007 @ 30%	-	-	-	-	(42,648)	(42,648)
Share-based payments	-	-	3,286	3,286	-	3,286
Net profit for the nine months period ended September 30, 2007 - restated	-	-	-	-	194,338	194,338
Balance as at September 30, 2007 - restated	<u>142,161</u>	<u>1,074,000</u>	<u>4,576</u>	<u>1,078,576</u>	<u>140,302</u>	<u>1,361,039</u>
Balance at January 1, 2008	142,161	1,074,000	4,257	1,078,257	191,035	1,411,453
Transfer to general reserve	-	45,743	-	45,743	(45,743)	-
Transfer from general reserve	-	(85,000)	-	(85,000)	85,000	-
Final dividend for the year ended December 31, 2007 @ 100%	-	-	-	-	(142,161)	(142,161)
Interim dividend for the year ending December 31, 2008 @ 100%	-	-	-	-	(142,161)	(142,161)
Share-based payments	-	-	2,035	2,035	-	2,035
Utilisation of reserves held for share-based payments	-	-	(2,608)	(2,608)	-	(2,608)
Net profit for the nine months period ended September 30, 2008	-	-	-	-	96,959	96,959
Balance as at September 30, 2008	<u>142,161</u>	<u>1,034,743</u>	<u>3,684</u>	<u>1,038,427</u>	<u>42,929</u>	<u>1,223,517</u>

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.


  
**Arshad Rahim Khan**  
Chief Executive

  
**Khwaja Bakhtiar Ahmed**  
Director

## CONDENSED INTERIM CASH FLOW STATEMENT FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2008

	Note	September 30, 2008	September 30, 2007 (restated)
<b>(Rupees '000)</b>			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	6	60,943	274,636
Profit received on deposit accounts		39,831	44,170
Increase in long-term loans		(6,294)	(2,520)
Increase in long term deposits		-	(447)
Taxes paid		(77,077)	(37,844)
Net cash inflow from operating activities		17,403	277,995
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(22,387)	(23,439)
Proceeds from disposal of property, plant and equipment		3,540	993
Proceeds from disposal of non-current assets classified as held for sale		4,075	-
Net cash outflow from investing activities		(14,772)	(22,446)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash outflow from financing activities - Dividend paid		(141,681)	(100,241)
Net (decrease) / increase in cash and cash equivalents		(139,050)	155,308
Cash and cash equivalents at the beginning of the period		771,993	600,506
Cash and cash equivalents at the end of the period		632,943	755,814

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.

  
Arshad Rahim Khan  
Chief Executive

  
Khwaja Bakhtiar Ahmed  
Director

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2008 (UNAUDITED - NOTE 2)**

**1. STATUS AND NATURE OF BUSINESS**

Wyeth Pakistan Limited (the company) is a public limited company incorporated in 1949 in Pakistan. The address of its registered office is S-33, Hawkes Bay road S.I.T.E., Karachi, Pakistan. The company is listed on the Karachi and Lahore Stock Exchanges. The company is engaged in manufacturing and marketing of research based ethical specialties and other pharmaceutical products.

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

- 2.1 These condensed interim financial statements of the company for the nine months period ended September 30, 2008 have been prepared in accordance with the requirements of the International Accounting Standard No. 34 'Interim Financial Reporting' and are being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984 and the listing regulations of the Karachi and Lahore Stock Exchanges.
- 2.2 These condensed interim financial statements comprise of the balance sheet as at September 30, 2008 and the profit and loss account, statement of changes in equity and the cash flow statement for the nine months period ended September 30, 2008. These condensed interim financial statements also include the profit and loss account for the quarter ended September 30, 2008.
- 2.3 The comparative balance sheet presented in these condensed interim financial statements as at December 31, 2007 has been extracted from the annual audited financial statements of the company for the year ended December 31, 2007 whereas the items of comparative profit and loss account, statement of changes in equity and cash flow statement are for the nine months period ended September 30, 2007 and which have been restated wherever necessary to account for the change in accounting policy in respect of share-based payments as more fully explained in note 4 to the annual audited financial statements for the year ended December 31, 2007. The comparative profit and loss account for the quarter ended September 30, 2007 is also included in these condensed interim financial statements.
- 2.4 The accounting policies and the methods of computations of balances adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements of the company for the year ended December 31, 2007, except for the changes stated in note 3.2 to these condensed interim financial statements.

### 3. PROPERTY, PLANT AND EQUIPMENT

	Note	September 30, 2008	December 31, 2007
		(Rupees '000)	
Operating fixed assets	3.1	204,681	184,475
Capital work in progress		<u>11,254</u>	<u>32,983</u>
		<u>215,935</u>	<u>217,458</u>
3.1 Operating fixed assets - cost			
		Nine months period ended September 30, 2008	Nine months period ended September 30, 2007
		(Rupees '000)	
Additions			
- buildings		3,727	4,325
- plant and machinery		30,887	3,270
- furniture and fittings		306	153
- vehicles		7,222	4,353
- office equipment		1,974	2,651
		<u>44,116</u>	<u>14,752</u>
Disposals [having a net book value of Rs 2.909 million (2007: Rs 0.108 million)]		<u>10,414</u>	<u>1,861</u>
3.2 During the nine months period ended September 30, 2008 the management has reassessed the expected pattern of consumption of future economic benefits associated with its fixed assets. Consequently the following revisions have been made with effect from the date of revision of accounting estimate i.e. February 2008:			
3.2.1 The expected useful life of computer equipments has been increased from 3 years to 4 years; and			
3.2.2 The residual value of motor vehicles is estimated to be 30% of the original cost of the asset. Previously residual values were estimated on a case to case basis.			
3.3 The effect of aforementioned change in accounting estimate has been recognised prospectively in accordance with International Accounting Standard 8 'Accounting Policies, Change in Accounting Estimates and Errors'. Had these estimated not been revised, the carrying value of fixed assets as at September 30, 2008 would have been lower by Rs 0.332 million and profit after taxation for the aforementioned nine months period would have been lower by Rs 0.106 million.			

## 4. CONTINGENCIES AND COMMITMENTS

- 4.1 The contingencies of an aggregate value of Rs 329.729 million as reported in the notes 19.1, 19.3 & 19.4 to the financial statements for the year ended December 31, 2007 have remained unchanged.
- 4.2 Out of four ex-distributors who had filed claims against the company amounting to Rs 140.361 million for recovery of damages as at December 31, 2007, during the nine months period ended September 30, 2008, an 'out of court' settlement has been made with one of those ex-distributors in respect of which the contingency claim included in the aforementioned amount was Rs 5.432 million. According to the terms of settlement that ex-distributor has paid an amount of Rs 1.358 million to the company and the other remaining claims and counter claims between the parties to the settlement have been agreed to extinguished.

There is no change in the status of remaining claims of the three ex-distributors aggregating Rs 134.929 million as included in the contingency disclosure in note 19.2 to the annual audited financial statements of the company for the year ended December 31, 2007.

	September 30, 2008	December 31, 2007
	(Rupees '000)	
4.2 Commitments for capital expenditure	10,636	1,011
4.3 Guarantees, post dated cheques and indemnity bonds issued to Collector of Customs against duty on imported raw materials and other guarantees	14,559	13,511
4.4 Outstanding letter of credits	83,343	38,549

## 5. VOLUNTARY SEPARATION SCHEME

During the nine months period ended September 30, 2008, in accordance with the company's Voluntary Separation Scheme (VSS), certain employees of the company availed VSS. VSS is a program initiated by the company to achieve rationalisation and corporate restructuring. The aggregate cost of Rs 18.773 million incurred during the period on account of VSS has been allocated as follows:

	Nine months period ended September 30, 2008	Nine months period ended September 30, 2007
	(Rupees '000)	
Cost of sales	2,575	-
Distribution expenses	13,780	-
Administrative expenses	2,418	-
	18,773	-

## 6 CASH GENERATED FROM OPERATIONS

	Note	Nine months period ended September 30, 2008	Nine months period ended September 30, 2007 (restated)
(Rupees '000)			
Profit before taxation		149,913	284,494
<b>Adjustments for non-cash charges and other items:</b>			
Expenses arising from equity-settled share -based payment plans		2,035	3,286
Depreciation		21,000	22,676
Provision for slow moving and obsolete stocks / (provision written back)		8,467	(4,800)
Reserve for potential expired stock claims written back		-	(313)
Write off of assets classified as held for sale		3,025	-
Gain on disposal of property , plant and equipment		(631)	(174)
Profit on deposit accounts		(46,304)	(42,357)
Working capital changes	6.1	(76,562)	11,824
		<u>(88,970)</u>	<u>(9,858)</u>
		<u>60,943</u>	<u>274,636</u>
6.1 Working capital changes			
<b>Decrease / (increase) in current assets:</b>			
Spares		(215)	(419)
Stocks		(100,472)	100,901
Trade debts		(68,598)	(63,219)
Loans and advances		(16,957)	(3,520)
Deposits and prepayments		(5,732)	(2,866)
Other receivables		(7,248)	9,432
		<u>(199,222)</u>	<u>40,309</u>
<b>Increase / (decrease) in current liabilities:</b>			
Trade and other payables		<u>122,660</u>	<u>(28,485)</u>
		<u>(76,562)</u>	<u>11,824</u>


## 7. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise the parent company (Wyeth, USA), related group companies, staff retirement benefits, directors, key management personnel and close members of the family of all the aforementioned related parties. The company in the normal course of business carries out transactions with various related parties. Significant balances and transactions with related parties are as follows:

	Nine months period ended September 30, 2008	Nine months period ended September 30, 2007 (restated) (Rupees '000)
Sales to associated undertakings	73,063	119,140
Purchases from associated undertakings	308,706	134,866
Services from associated undertakings	14,723	10,445
Dividend to associated undertakings	102,503	64,577
Contribution to the gratuity fund	3,619	3,278
Contribution to the provident fund	5,065	4,596
Receivable from pension fund	362	1,374
Remuneration of key management personnel	24,175	21,169
Payable to parent company	2,653	3,286
Payable to associated undertakings	228,719	134,680

## 8. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on **October 30, 2008** by the board of directors of the company.

  
**Arshad Rahim Khan**  
 Chief Executive

  
**Khwaja Bakhtiar Ahmed**  
 Director