

**Wyeth**

Leading the Way to  
a Healthier World

Financial Statements for the  
Six Months period ended  
31 May 2011

**WYETH PAKISTAN LIMITED**

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## COMPANY INFORMATION

### BOARD OF DIRECTORS

Iqbal Bengali Chairman, Chief Executive & Managing Director  
Husain Lawai  
Badaruddin F. Vellani  
Iftikhar Soomro  
Abdul Majeed  
Iftikhar Ahmed Jafri  
S. M. Wajeehuddin

### COMPANY SECRETARY

S. M. Wajeehuddin

### AUDIT COMMITTEE

Iftikhar Soomro Chairman  
Badaruddin F. Vellani  
Iftikhar Ahmed Jafri

### BANKERS

Citibank, N.A.  
Standard Chartered Bank

### AUDITORS

**KPMG Taseer Hadi & Co.**  
Chartered Accountants

### LEGAL ADVISORS

Vellani & Vellani  
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. # 92-213-5689021-5686658 & 111-000-322

### HEAD OFFICE/ REGISTERED OFFICE

S-33, Hawkes Bay Road, S.I.T.E.,  
G.P.O. Box No. 167, Karachi.  
Ph. # 92-213-2354651-61  
Fax: 92-213-2354681

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

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

## **DIRECTORS' REVIEW**

We are pleased to present the un-audited condensed interim financial statements of your Company for the half year ended May 31, 2011. These financial statements have been prepared in accordance with the applicable requirements of International Financial Reporting Standards (IAS 34 - Interim Financial Reporting) and the Companies Ordinance 1984.

### **FINANCIAL RESULTS**

Your Company has upheld the momentum of the previous quarter and has continued investments in marketing and promotional activities. As a result, sales for the half year ended May 31, 2011 increased by 28%, as compared to the same period last year, largely due to an institutional order for anti-TB portfolio, and a first mover advantage for a new vaccine, leading to significantly higher uptake during the first six months. This increase in sales, coupled with some favorable product mix, has helped gross profit grow by 48% which has resulted in an improvement in profit before tax, compared to same period last year.

The reduction in administrative expenses is due to higher charges for doubtful debts and restructuring in 2010. Selling and marketing expenses have increased due to investments made on the launch of new products earlier in the year. Decrease in finance cost and increase in other income is due to credit control, and efficient use of liquid assets.

### **FUTURE PROSPECTS**

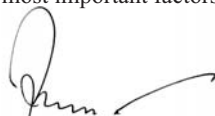
The current economic and law and order situation acts as a barometer for future business prospects in Pakistan. We still foresee economically challenging inflation, depreciating purchasing power and declining exchange parity in addition to regulatory stalemate, weak Intellectual Property Rights enforcement and impasse in general price adjustments. Further, the lack of clarity due to the 18<sup>th</sup> amendment, which aims to devolve to the Provinces various functions of the Ministry of Health including product pricing and registration, adds to the uncertainties already surrounding the pharmaceutical business.

### **DIRECTORS**

On April 29, 2011, election of directors of the Company was held where all the incumbent directors were elected unopposed for a period of three years effective from April 30, 2011.

On July 07, 2011 Mr. Shahid Aziz Siddiqi resigned as a director of the Company and the casual vacancy thus created was filled by the appointment of Mr. Husain Lawai, effective July 25, 2011, as a nominee director of N.I.T. While welcoming Mr. Husain Lawai, the board wishes to place on record its sincere appreciation for the valuable services rendered by Mr. Shahid Aziz Siddiqi during his tenure as a director of the Company.

The board of directors would like to place on record its sincere appreciation of management and all the employees of the Company for their commitment and dedication, which are the most important factors behind these improved results.



**Iqbal Bengali**  
Chairman & Chief Executive

**Karachi: July 25, 2011**



**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2  
Beaumont Road  
Karachi, 75530 Pakistan

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## **Independent auditors' report to the Members on Review of Condensed Interim Financial Information**

### **Introduction**

We have reviewed the accompanying condensed interim balance sheet of **Wyeth Pakistan Limited** ("the Company") as at 31 May 2011, and the related condensed interim profit and loss account, condensed statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the six-months period then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as at and for the period ended 31 May 2011 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

### **Other Matters**

The figures for the quarter ended 31 May 2011 in the condensed interim profit and loss account have not been reviewed by us and we do not express a conclusion on them.

**Date: July 25, 2011**

**Karachi**

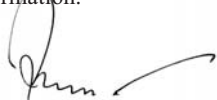
*KPMG Taseer Hadi & Co.*  
**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**  
**Mohammad Mahmood Hussain**


KPMG Taseer Hadi & Co., a partnership firm registered in Pakistan  
and a member firm of the KPMG network of independent member  
firms affiliated with KPMG International, a Swiss cooperative

## CONDENSED INTERIM BALANCE SHEET as at 31 May 2011

		31 May 2011 (Unaudited)	30 November 2010 (Audited)
	Note	(Rupees in '000)	
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	139,176	144,887
Long-term loans to employees		5,950	8,203
Long-term deposits		3,161	2,180
Deferred taxation		16,492	6,431
<b>Total non-current assets</b>		<b>164,779</b>	<b>161,701</b>
<b>CURRENT ASSETS</b>			
Spares		13,578	14,411
Stock-in-trade		829,986	828,388
Trade debts		63,822	50,431
Loans and advances		40,153	58,407
Trade deposits and prepayments		10,532	13,472
Interest accrued		3,971	3,746
Other receivables		44,588	31,277
Taxation-net		112,768	149,149
Cash and bank balances		420,718	241,928
<b>Total current assets</b>		<b>1,540,116</b>	<b>1,391,209</b>
<b>Total assets</b>		<b>1,704,895</b>	<b>1,552,910</b>
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital		142,161	142,161
Reserves		847,104	927,041
Unappropriated profit / (accumulated loss)		85,056	(60,379)
<b>Total equity</b>		<b>1,074,321</b>	<b>1,008,823</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		630,574	544,087
<b>Total equity and liabilities</b>		<b>1,704,895</b>	<b>1,552,910</b>
<b>CONTINGENCIES AND COMMITMENTS</b> 7			

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.

  
**Iqbal Bengali**  
Chief Executive

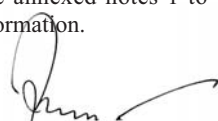
  
**S. M. Wajeehuddin**  
Director


**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)**  
for the six months period ended 31 May 2011

	For the six months period ended		For the three months period ended	
	31 May 2011	31 May 2010	31 May 2011	31 May 2010
----- (Rupees in '000) -----				
Net sales	1,543,974	1,205,922	791,012	646,898
Cost of sales	1,151,479	939,970	590,065	507,950
Gross profit	392,495	265,952	200,947	138,948
Selling, marketing and distribution expenses	197,004	161,229	88,567	106,923
Administrative expenses	44,038	79,977	22,014	54,625
	241,042	241,206	110,581	161,548
Operating profit / (loss)	151,453	24,746	90,366	(22,600)
Other operating income	24,360	5,194	15,114	2,257
	175,813	29,940	105,480	(20,343)
Other operating expenses	18,735	3,528	11,285	504
Finance cost	601	2,595	462	254
	19,336	6,123	11,747	758
Profit / (loss) before taxation	156,477	23,817	93,733	(21,101)
Taxation				
Current - for the period	74,387	35,320	38,444	11,331
- for prior years	12,500	-	12,500	-
Deferred	(10,061)	(4,393)	(4,032)	(5,097)
	76,826	30,927	46,912	6,234
Profit / (loss) after taxation	79,651	(7,110)	46,821	(27,335)
	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>
Earnings / (loss) per share - basic and diluted	56.03	(5.00)	32.94	(19.22)

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

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.

  
**Iqbal Bengali**  
Chief Executive

  
**S. M. Wajeehuddin**  
Director

**CONDENSED INTERIM STATEMENT OF  
COMPREHENSIVE INCOME (UNAUDITED)  
for the six months period ended 31 May 2011**

	For the six months period ended	
	31 May 2011	31 May 2010
	<b>(Rupees in '000)</b>	
Profit / (loss) after taxation	<b>79,651</b>	(7,110)
Other comprehensive income	-	-
Total comprehensive income / (loss)	<b>79,651</b>	(7,110)

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.



**Iqbal Bengali**  
Chief Executive



**S. M. Wajeehuddin**  
Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)  
for the six months period ended 31 May 2011**

	Note	31 May 2011	31 May 2010
		(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operating activities	8	224,964	87,527
Profit received on deposits accounts		16,376	374
Decrease in long-term loans		2,253	2,839
Increase in long-term deposits		(981)	(273)
Taxes paid		(50,506)	(28,657)
Net cash generated from operating activities		192,106	61,810
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment		(8,167)	(4,384)
Net cash used in investing activities		(8,167)	(4,384)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net cash used in financing activities-dividends paid		(5,149)	(80)
Net increase in cash and cash equivalents		178,790	57,346
Cash and cash equivalents at the beginning of the period		241,928	35,648
Cash and cash equivalents at the end of the period		420,718	92,994

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.



**Iqbal Bengali**  
Chief Executive

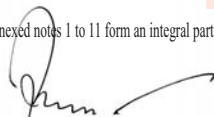


**S. M. Wajeehuddin**  
Director

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED) for the six months period ended 31 May 2011

	Share capital	Reserves			Unappropriated profit / (accumulated loss)	Total
	Issued, subscribed and paid-up capital	General reserve	Others	Sub total		
(Rupees in '000)						
Balance as at 30 November 2009	142,161	911,753	15,187	926,940	(86,838)	982,263
<b>Total comprehensive income / (loss) for the period</b>						
Profit / (loss) for the six months period ended 31 May 2010	-	-	-	-	(7,110)	(7,110)
Other comprehensive income for the period	-	-	-	-	-	-
	-	-	-	-	(7,110)	(7,110)
<b>Transactions with owners</b>						
Share-based payments	-	-	38	38	-	38
<b>Balance as at 31 May 2010</b>	<u>142,161</u>	<u>911,753</u>	<u>15,225</u>	<u>926,978</u>	<u>(93,948)</u>	<u>975,191</u>
Balance as at 30 November 2010	142,161	911,753	15,288	927,041	(60,379)	1,008,823
<b>Total comprehensive income for the period</b>						
Profit for the six months period ended 31 May 2011	-	-	-	-	79,651	79,651
Other comprehensive income for the period	-	-	-	-	-	-
	-	-	-	-	79,651	79,651
<b>Transactions with owners</b>						
Final dividend for the year ended 30 November 2010 @ 10%	-	-	-	-	(14,216)	(14,216)
Share-based payments	-	-	63	63	-	63
	-	-	63	63	(14,216)	(14,153)
<b>Others</b>						
Transfer from general reserve	-	(80,000)	-	(80,000)	80,000	-
	-	(80,000)	-	(80,000)	80,000	-
<b>Balance as at 31 May 2011</b>	<u>142,161</u>	<u>831,753</u>	<u>15,351</u>	<u>847,104</u>	<u>85,056</u>	<u>1,074,321</u>

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.

  
**Iqbal Bengali**  
Chief Executive

  
**S. M. Wajeehuddin**  
Director

**NOTES TO THE CONDENSED INTERIM  
FINANCIAL INFORMATION (UNAUDITED)  
for the six months period ended 31 May 2011**

**1. LEGAL STATUS AND OPERATIONS**

Wyeth Pakistan Limited (the Company) is a public limited company incorporated in Pakistan in 1949. 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.

With effect from 15 October 2009, Pfizer Inc. has acquired Wyeth LLC, USA. Accordingly, Pfizer Inc. has become the ultimate parent of the Company. However, Wyeth LLC, USA continues to be the principal shareholder of the Company.

**2. BASIS OF PREPARATION**

- 2.1 This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. The disclosures in the condensed interim financial information do not include the information reported for full annual financial statements and should therefore be read in conjunction with the financial statements for the year ended 30 November 2010.
- 2.2 This condensed interim financial information is presented in Pakistan Rupees which is also the Company's functional currency and all financial information presented has been rounded off to the nearest thousand.
- 2.3 This condensed interim financial information is un-audited and is being submitted to the shareholders as required by listing regulations of Karachi and Lahore Stock Exchanges and section 245 of the Companies Ordinance, 1984. The figures for the six months period ended 31 May 2011 have, however, been subjected to limited scope review by the auditors as required by the Code of Corporate Governance.

**3. SIGNIFICANT ACCOUNTING POLICIES**

- 3.1 The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in preparation of the financial statements of the Company for the year ended 30 November 2010.
- 3.2 Amendments to certain existing standards and new interpretations on approved accounting standards effective during the period either were not relevant to the Company's operations or did not have any significant impact on the accounting policies of the Company.

**4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT**

The preparation of this condensed interim financial information in conformity with approved accounting standards as applicable in Pakistan requires management to

make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

In preparing this condensed interim financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the financial statements as at and for the year ended 30 November 2010. The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 30 November 2010.

	31 May 2011	30 November 2010
Note	(Rupees in '000)	
<b>5. PROPERTY, PLANT AND EQUIPMENT</b>		
Operating fixed assets	134,055	144,728
Capital work in progress	5,121	159
	<u>139,176</u>	<u>144,887</u>
<b>5.1 Operating fixed assets include following additions during the period:</b>		
Plant and machinery	48	3,465
Vehicles	3,157	-
Office equipment, furniture and fittings	-	1,355
	<u>3,205</u>	<u>4,820</u>
Disposals [having a net book value of Nil (2010: Rs 0.512 million)].	<u>-</u>	<u>830</u>

## 6. OPERATING SEGMENTS

The financial information has been prepared on the basis of a single reportable segment.

- 6.1 Sales from pharmaceutical products and others represent 95.1% and 4.9% during the six months period ended 31 May 2011 (31 May 2010: 92.2% and 7.8%) of total revenue of the Company respectively.
- 6.2 92.4% (31 May 2010: 93.3%) of total sales of the Company relates to customers in Pakistan.
- 6.3 All non-current assets of the Company as at 31 May 2011 are located in Pakistan.
- 6.4 Sales to four major customers (distributors) of the Company is around 49.3% during the six months period ended 31 May 2011 (31 May 2010: 52.4% ).

## 7. CONTINGENCIES AND COMMITMENTS

7.1 Certain ex-employees of the Company have filed claims aggregating Rs 247.572 million (2010: Rs 247.572 million) against the Company. The Company is contesting these claims in the courts and management is confident that the ultimate decision of the subject suit will be in favour of the Company. Accordingly, no provision has been made in these financial statements in respect of these claims.

7.2 Two ex-distributors have filed claims against the Company aggregating to Rs 84.929 million (2010: Rs 84.929 million) for recovery of damages. The management is confident that the cases will be decided in the Company's favour and therefore no provision has been made in this respect.

7.3 The Company has filed income tax returns under section 120 of the Income Tax Ordinance up to and including the tax year 2010. However, the income tax authorities have made arbitrary additions and disallowances to taxable income in respect of previous years, from assessment years 1997-98 to 2002-03 and for tax years 2003 to 2005 and 2008, which have resulted in an aggregate tax demand of Rs 231.962 million (2010: Rs 231.962 million). The tax demand has arisen mainly due to the following reasons:

- The assessing officer has made additions to the income based on the contention that the Company has allegedly paid excessive amount on import of raw materials.
- The assessing officer charged tax on purchases related to agriculture business of the Company under presumptive tax regime by treating all purchases as commercial imports.
- The assessing officer also charged tax on gain on sale of the Company's agriculture business and has also arbitrarily disallowed certain expenses attributed to that segment of the business.
- The assessing officer has disallowed the credit for adjustment of tax refunds and adjustment of compensation on delayed refunds.

Although the Company has filed appeals with various appellate authorities in respect of the above, however, a provision of Rs 100.794 million (2010: Rs 88.294 million) is being carried against the above demands on grounds of prudence. In consultation with their tax advisors, the management is confident that the ultimate decision of the appeals will be in the Company's favour.

7.4 The Assistant Collector, Sales Tax and Federal Excise has issued an order requiring the Company to pay Federal Excise Duty (FED) along with penalty and default surcharge amounting to approximately Rs 1 million in respect of technical services availed by the Company.

The Company filed an appeal against this order. The Commissioner Inland Revenue Appeals (CIRA) passed an order in favour of the Company. However, the Tax Department has now filed an appeal before the Tribunal, which is still pending. The management, in consultation with their tax advisors, is confident that the ultimate decision of the appeal will be in favor of the Company.

		<u>31 May 2011</u>	<u>30 November 2010</u>
		<b>(Rupees in '000)</b>	
<b>Commitments</b>			
7.5	Commitments for capital expenditure	<u>5,280</u>	<u>1,341</u>
7.6	Guarantees issued to Collector of Customs against duty on imported raw materials and other guarantees	<u>921</u>	<u>166</u>
7.7	Outstanding letter of credit	<u>245,571</u>	<u>38,189</u>
<b>8.</b>	<b>CASH GENERATED FROM / (USED IN) OPERATING ACTIVITIES</b>	<b>For the six months period ended</b>	
		<u>31 May 2011</u>	<u>31 May 2010</u>
		<b>(Rupees in '000)</b>	
	Note		
	Profit before taxation	<b>156,477</b>	23,817
	Adjustments for non-cash charges and other items:		
	Net increase in reserve for equity-settled share-based payment plans	<b>63</b>	38
	Depreciation	<b>13,878</b>	16,355
	Provision for slow moving and obsolete stock	<b>32,006</b>	231
	Short term deposits written off	<b>1,339</b>	-
	Reversal of provision for doubtful debts	<b>(2,693)</b>	-
	Provision for doubtful debts	<b>-</b>	22,968
	Decrease in provision for potential expired stock claims	<b>-</b>	(95)
	Profit on deposit accounts	<b>(16,601)</b>	(442)
	Working capital changes	<b>40,495</b>	24,655
		<u><b>224,964</b></u>	<u>87,527</u>
<b>8.1</b>	<b>Working capital changes</b>		
	(Increase) / decrease in current assets:		
	Spares	<b>833</b>	(897)
	Stocks in trade	<b>(33,604)</b>	68,899
	Trade debts	<b>(10,698)</b>	18,856
	Loans and advances	<b>18,254</b>	(11,387)
	Deposits and prepayments	<b>1,601</b>	(951)
	Other receivables	<b>(13,311)</b>	(2,909)
		<u><b>(36,925)</b></u>	<u>71,611</u>
	Increase / (decrease) in current liabilities:		
	Trade and other payables	<b>77,420</b>	(46,956)
		<u><b>40,495</b></u>	<u>24,655</u>

## 9. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise the ultimate parent company (Pfizer Inc., 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. Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in the financial statements are as follows:

	<b>For the six months period ended</b>	
	<b>31 May 2011</b>	31 May 2010
	<b>(Rupees in '000)</b>	
Sale of goods/transfer of inventory to associated undertakings	<b>106,479</b>	64,478
Goods purchased/transfer of inventory from associated undertakings	<b>192,836</b>	165,009
Services received from associated undertakings	<b>20,748</b>	40,181
Contribution to retirement benefits	<b>14,123</b>	6,504
Remuneration of key management personnel	<b>2,279</b>	53,956
	<b>31 May 2011</b>	30 November 2010
	<b>(Rupees in '000)</b>	
Receivable from retirement benefits - net	<b>3,167</b>	3,661

## 10. CORRESPONDING FIGURES

Corresponding figures in the condensed interim balance sheet and condensed interim statement of changes in equity comprise of balances as per the audited financial statements for the year ended 30 November 2010. Corresponding figures in the condensed interim profit and loss account, condensed interim statement of comprehensive income and condensed interim cash flow statement comprise of balances of comparable period as per the condensed interim financial information for the six months period ended 31 May 2010 which were subjected to limited scope review by the auditors as required by the Code of Corporate Governance.

## 11. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorized for issue on 25 July 2011 by the Board of Directors of the Company.



**Iqbal Bengali**  
Chief Executive



**S. M. Wajeehuddin**  
Director