

# Wyeth

Leading the Way to  
a Healthier World

Financial Statements for the  
Nine Months period ended  
31 August 2011

**WYETH PAKISTAN LIMITED**

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## COMPANY INFORMATION

### BOARD OF DIRECTORS

Abdul Majeed Chairman, Chief Executive & Managing Director  
Husain Lawai  
Badaruddin F. Vellani  
Iftikhar Soomro  
Iqbal Bengali  
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  
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**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 nine months ended 31 August 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

First mover advantage of the new vaccine Prevenar 13V continued for the third quarter as well, which, coupled with institutional orders for anti -TB business has helped sales to increase by 35% over the same period last year. This favorable impact, along with positive product mix, has improved the bottom line as well.

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

### FUTURE PROSPECTS

The business environment is becoming tougher due to prevalent law and order, political, and economic situation. The recent devastation caused by floods is likely to further aggravate the situation. Moreover, there is still a lack of clarity as to what impact the 18<sup>th</sup> Amendment would have on the pharmaceutical industry, more specifically the devolvement of the various functions of the Ministry of Health to the provinces including product pricing and registration. Despite these grave uncertainties and challenges, your Company relies on its brand equity and internal efficiencies to create value for our stakeholders.

### DIRECTORS

Mr. Iqbal Bengali resigned as Chairman and Chief Executive of the Company with effect from 8 August 2011. Mr. Bengali, however, continues as a director on the Board of the Company. Mr. Abdul Majeed, already member of the Board, has been appointed as the Chairman and Chief Executive of the Company with effect from 17 August 2011. The Board wishes to place on record its sincere appreciation for the valuable services rendered by Mr. Iqbal Bengali during his tenure as Chairman and Chief Executive of the Company.

The Board would also 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.



**Abdul Majeed**  
Chairman & Chief Executive

Karachi: **September 22, 2011.**

## CONDENSED INTERIM BALANCE SHEET as at 31 August 2011

	31 August 2011 (Unaudited)	30 November 2010 (Audited)
	(Rupees in '000)	
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	133,341	144,887
Long-term loans to employees	6,075	8,203
Long-term deposits	3,157	2,180
Deferred taxation	15,401	6,431
<b>Total non-current assets</b>	<b>157,974</b>	<b>161,701</b>
<b>CURRENT ASSETS</b>		
Spares	14,425	14,411
Stock-in-trade	1,293,987	828,388
Trade debts	12,749	50,431
Loans and advances	64,572	58,407
Trade deposits and prepayments	10,080	13,472
Interest accrued	39	3,746
Other receivables	40,756	31,277
Taxation-net	116,535	149,149
Cash and bank balances	116,875	241,928
<b>Total current assets</b>	<b>1,670,018</b>	<b>1,391,209</b>
<b>Total assets</b>	<b>1,827,992</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)	146,942	(60,379)
<b>Total equity</b>	<b>1,136,207</b>	<b>1,008,823</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	691,785	544,087
<b>Total equity and liabilities</b>	<b>1,827,992</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.



**Abdul Majeed**  
Chief Executive



**S. M. Wajeehuddin**  
Director

## CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED) for the nine months period ended 31 August 2011

	For the nine months period ended		For the three months period ended	
	31 August 2011	31 August 2010	31 August 2011	31 August 2010
----- (Rupees in '000) -----				
Net sales	2,322,091	1,718,813	778,117	512,891
Cost of sales	1,718,480	1,333,953	567,001	393,983
Gross profit	603,611	384,860	211,116	118,908
Selling, marketing and distribution expenses	295,823	252,283	98,819	91,054
Administrative expenses	62,841	100,773	18,803	20,796
	358,664	353,056	117,622	111,850
Operating profit	244,947	31,804	93,494	7,058
Other operating income	33,873	11,213	9,513	6,019
	278,820	43,017	103,007	13,077
Other operating expenses	34,064	4,881	15,329	1,353
Finance cost	1,202	2,780	601	185
	35,266	7,661	15,930	1,538
Profit before taxation	243,554	35,356	87,077	11,539
Taxation				
Current - for the period	98,487	32,209	24,100	(3,111)
- for prior years	12,500	-	-	-
Deferred	(8,970)	(6,127)	1,091	(1,734)
	102,017	26,082	25,191	(4,845)
Profit after taxation	141,537	9,274	61,886	16,384
Earnings per share - basic and diluted	Rupees 99.56	Rupees 6.52	Rupees 43.53	Rupees 11.52

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.



Abdul Majeed  
Chief Executive



S. M. Wajeeluddin  
Director

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

	For the nine months period ended	
	31 August 2011	31 August 2010
	(Rupees in '000)	
Profit after taxation	141,537	9,274
Other comprehensive income	-	-
Total comprehensive income	<u>141,537</u>	<u>9,274</u>

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



**Abdul Majeed**  
Chief Executive



**S. M. Wajeeluddin**  
Director

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

	Note	For the nine months period ended	
		31 August 2011	31 August 2010
(Rupees in '000)			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash (used in) / generated from operating activities	8	(51,821)	319,268
Profit received on deposits accounts		26,688	3,070
Decrease in long-term loans to employees		2,128	3,796
Increase in long-term deposits		(977)	(273)
Taxes paid		(78,373)	(46,650)
Net cash (used in) / generated from operating activities		(102,355)	279,211
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment		(9,617)	(4,384)
Proceeds from sale of property, plant and equipment		1,154	-
Net cash used in investing activities		(8,463)	(4,384)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net cash used in financing activities-dividends paid		(14,235)	(93)
Net (decrease) / increase in cash and cash equivalents		(125,053)	274,734
Cash and cash equivalents at the beginning of the period		241,928	35,648
Cash and cash equivalents at the end of the period		116,875	310,382

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



**Abdul Majeed**  
Chief Executive



**S. M. Wajeeluddin**  
Director

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

	Share capital	Reserves		Sub total	Unappropriated profit / (accumulated loss)	Total
	Issued, subscribed and paid-up capital	General reserve	Others			
.....(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 for the period</b>						
Profit for the nine months period ended 31 August 2010	-	-	-	-	9,274	9,274
Other comprehensive income for the period	-	-	-	-	-	-
	-	-	-	-	9,274	9,274
<b>Transactions with owners</b>						
Share-based payments	-	-	70	70	-	70
<b>Balance as at 31 August 2010</b>	142,161	911,753	15,257	927,010	(77,564)	991,607
<b>Balance as at 30 November 2010</b>	142,161	911,753	15,288	927,041	(60,379)	1,008,823
<b>Total comprehensive income for the period</b>						
Profit for the nine months period ended 31 August 2011	-	-	-	-	141,537	141,537
Other comprehensive income for the period	-	-	-	-	-	-
	-	-	-	-	141,537	141,537
<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 August 2011</b>	142,161	831,753	15,351	847,104	146,942	1,136,207

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



**Abdul Majeed**  
Chief Executive



**S. M. Wajeehuddin**  
Director

**NOTES TO THE CONDENSED INTERIM  
FINANCIAL INFORMATION (UNAUDITED)  
for the nine months period ended 31 August 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.

**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 August 2011	30 November 2010
<b>5. PROPERTY, PLANT AND EQUIPMENT</b>	<b>Note</b>	<b>(Rupees in '000)</b>	
Operating fixed assets	5.1	<b>132,425</b>	144,728
Capital work in progress		<b>916</b>	159
		<b>133,341</b>	144,887
<b>5.1</b>	Operating fixed assets include following additions during the period / year :		
	Plant and machinery	<b>3,412</b>	3,465
	Vehicles	<b>5,003</b>	-
	Office equipment, furniture and fittings	<b>445</b>	1,355
		<b>8,860</b>	4,820
	Disposals [having a net book value of Nil (2010: Rs 0.512 million)].	<b>1,419</b>	830

## 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 95.3% and 4.7% during the nine months period ended 31 August 2011 (31 August 2010: 92.7% and 7.3%) of total revenue of the Company respectively.
- 6.2 94.9% (31 August 2010: 93.4%) of total sales of the Company relates to customers in Pakistan.
- 6.3 All non-current assets of the Company as at 31 August 2011 are located in Pakistan.
- 6.4 Sales to four major customers (distributors) of the Company is around 49.8% during the nine months period ended 31 August 2011 (31 August 2010: 54.7% ).

## 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 pharmaceutical 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 for 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 August 2011</u>	<u>30 November 2010</u>
	<b>(Rupees in '000)</b>	
<b>Commitments</b>		
7.5 Commitments for capital expenditure	-	1,341
7.6 Guarantees issued to Collector of Customs against duty on imported raw materials and other guarantees	921	166
7.7 Outstanding letter of credit	145,277	38,189

8.	CASH GENERATED FROM / (USED IN) OPERATING ACTIVITIES	Note	For the nine months period ended	
			31 August 2011	31 August 2010
			(Rupees in '000)	
	Profit before taxation		243,554	35,356
	Adjustments for non-cash charges and other items:			
	Net increase in reserve for equity- settled share-based payment plans		63	70
	Depreciation		21,163	23,441
	Provision for slow moving and obsolete stock		34,398	1,183
	Short term deposits written off		1,339	-
	(Reversal of) / provision for doubtful debts		(2,693)	22,968
	Decrease in provision for potential expired stock claims		(4,815)	(263)
	Gain on disposal of property, plant and equipment		(1,154)	-
	Profit on deposit accounts		(22,981)	(4,069)
	Working capital changes	8.1	(320,695)	240,582
			<u>(51,821)</u>	<u>319,268</u>
8.1	<b>Working capital changes</b>			
	(Increase) / decrease in current assets:			
	Spares		(14)	(2,205)
	Stock-in-trade		(499,997)	65,373
	Trade debts		40,375	192,685
	Loans and advances		(6,165)	(25,891)
	Trade deposits and prepayments		2,053	(2,985)
	Other receivables		(9,479)	(9,440)
			<u>(473,227)</u>	<u>217,537</u>
	Increase / (decrease) in current liabilities:			
	Trade and other payables		152,532	23,045
			<u>(320,695)</u>	<u>240,582</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:

	For the nine months period ended	
	31 August 2011	31 August 2010
	(Rupees in '000)	
Sale of goods/ transfer of inventory to associated undertakings	105,886	92,122
Goods purchased/ transfer of inventory from associated undertakings	328,689	219,092
Services received from associated undertakings	39,205	60,786
Contribution to retirement benefits	21,747	9,093
Remuneration of key management personnel	2,794	55,770
	(Rupees in '000)	
Receivable from retirement benefits - net	1,578	1,162

## 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 un-audited condensed interim financial information for the nine months period ended 31 August 2010.

## 11. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorized for issue on 22 September 2011 by the Board of Directors of the Company.



**Abdul Majeed**  
Chief Executive



**S. M. Wajeehuddin**  
Director