

Wyeth

Leading the Way to
a Healthier World

Financial Statements for the
Six Months period ended
June 30, 2008

WYETH PAKISTAN LIMITED

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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.,
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Ph. # 92-21-2354651-61 & 111-777-333
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Website: www.wyethpakistan.com

Note: These accounts are also available on our website.

DIRECTORS' REPORT

We present the financial statements of your company for the second quarter and six months period ended June 30, 2008.

During the quarter, the Directors of the Company were re-elected at the Extraordinary General Meeting held on April 30, 2008 for a term of three years. The directors elected to the Board were Arshad Rahim Khan, Mark Larsen, Baldev Arora, Cecile Guegan, Gaetan Crucke, Behram Hasan and Khwaja Bakhtiar Ahmed.

Performance of Current Quarter 2008

The company has achieved a domestic sales growth of 9.9% in this quarter whereas export sales was down by 43% thus resulted into net sales growth of 6.2% over same quarter last year. In spite of such a healthy growth in domestic sales, we could not deliver profit after tax in view of various unusual factors recorded in this quarter. The cost of imported and local materials is continuously rising due to heavy increase in oil prices in international market. Further in view of sharp depreciation of Pak Rupees vs. US Dollars, we suffered exchange loss and recorded in this quarter. In addition due to technical reasons, sale of one of our product was affected resulting lower sales growth. This directly and indirectly affected both our sales and profits significantly.

The technical issues have subsequently been resolved and we are confident that all products will be available for sales in 4th Quarter 2008. Further under the current environment, we took additional measures to reduce our costs, improve our efficiency. The one time cost for these measures has also been recorded in this quarter.

In view of rising inflation the distribution cost and administrative expenses have increased significantly. The other reasons for higher distribution and administrative expenses reflect our commitment to invest in our business and profits for future.

In the current environment of inflation and cost increase, without across the board 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 Half Year 2008

Domestic sales increased by 10.3%, however export sales decreased by 23% due to low export orders. Thus net sales increased by 7.5%.

Profit after tax was 4.7% of net sales as compared to 12% of net sales for the half year ended of last year, mainly because of reasons explained in the performance of the 2nd Quarter 2008.

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 : **August 28, 2008**

A.F. FERGUSON & CO.

A member firm of

PRICEWATERHOUSECOOPERS 

A.F. Ferguson & Co.
Chartered Accountants
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AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of Wyeth Pakistan Limited as at June 30, 2008 and the related condensed interim profit and loss account, condensed interim statement of changes in equity and condensed interim cash flow statement together with the notes forming part thereof 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. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarters ended June 30, 2008 and 2007 have not been reviewed as we are required to review only the cumulative figures for the six months period ended June 30, 2008.

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 the 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 of and for the six months period ended June 30, 2008 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.



Chartered Accountants
Karachi, August 28, 2008

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**CONDENSED INTERIM BALANCE SHEET
AS AT JUNE 30, 2008 (UNAUDITED – NOTE 2)**

	Note	June 30, 2008	December 31, 2007
(Rupees '000)			
NON-CURRENT ASSETS			
Property, plant and equipment	3	214,437	217,458
Long-term loans		11,238	8,613
Long-term deposits		2,287	2,287
		<u>227,962</u>	<u>228,358</u>
CURRENT ASSETS			
Spares		2,231	2,231
Stocks		639,779	563,189
Trade debts		167,330	138,572
Loans and advances		17,190	11,121
Deposits and prepayments		16,307	10,054
Interest accrued		3,236	4,673
Other receivables		15,747	16,128
Taxation - net		98,887	71,315
Short-term investments		685,000	720,000
Cash and bank balances		53,870	51,993
		1,699,577	1,589,276
Non-current assets classified as held for sale		3,025	7,100
		<u>1,930,564</u>	<u>1,824,734</u>
SHARE CAPITAL AND RESERVES			
Share capital		142,161	142,161
Reserves		1,123,427	1,078,257
Unappropriated profit		58,371	191,035
		<u>1,323,959</u>	<u>1,411,453</u>
NON-CURRENT LIABILITIES			
Deferred taxation		4,210	9,213
CURRENT LIABILITES			
Trade and other payables		602,395	404,068
CONTINGENCIES AND COMMITMENTS			
	4	<u>1,930,564</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 SIX MONTHS PERIOD ENDED JUNE 30, 2008 (UNAUDITED - NOTE 2)

	For the quarter ended		For the six months period ended	
	June 30, 2008	June 30, 2007 (restated)	June 30, 2008	June 30, 2007 (restated)
	(Rupees '000)		(Rupees '000)	
Net sales	606,425	570,881	1,163,758	1,082,402
Cost of sales - note 5	450,442	362,285	831,988	682,742
Gross profit	155,983	208,596	331,770	399,660
Distribution cost - note 5	127,326	84,989	191,861	172,192
Administrative expenses - note 5	32,720	22,945	58,097	48,902
	160,046	107,934	249,958	221,094
Operating (loss) / profit	(4,063)	100,662	81,812	178,566
Other operating income	17,757	18,302	35,598	34,088
	13,694	118,964	117,410	212,654
Other operating expenses	20,305	8,569	32,403	16,388
Finance costs	197	302	456	482
	20,502	8,871	32,859	16,870
(Loss) / profit before taxation	(6,808)	110,093	84,551	195,784
Taxation				
Current - for the period	9,343	32,559	34,314	58,229
- for prior years'	-	9,337	-	9,337
Deferred	(3,643)	(1,345)	(5,003)	(1,509)
	5,700	40,551	29,311	66,057
(Loss) / profit after taxation	(12,508)	69,542	55,240	129,727
	(Rupees)		(Rupees)	
Basic (loss) / earnings per share	(8.80)	48.92	38.86	91.25

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 SIX MONTHS PERIOD ENDED JUNE 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)
Share-based payments	-	-	1,657	1,657	-	1,657
Net profit for the six months period ended June 30, 2007 - re-stated	-	-	-	-	129,727	129,727
Balance at June 30, 2007 - restated	<u>142,161</u>	<u>1,074,000</u>	<u>2,947</u>	<u>1,076,947</u>	<u>118,339</u>	<u>1,337,447</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)	-
Final dividend for the year ended December 31, 2007 @ 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 six months period ended June 30, 2008	-	-	-	-	55,240	55,240
Balance at June 30, 2008	<u>142,161</u>	<u>1,119,743</u>	<u>3,684</u>	<u>1,123,427</u>	<u>58,371</u>	<u>1,323,959</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 SIX MONTHS PERIOD ENDED JUNE 30, 2008 (UNAUDITED - NOTE 2)

	Note	June 30, 2008	June 30, 2007
(Rupees '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	6	147,977	148,837
Profit received on deposit accounts		31,038	28,537
Increase in long-term loans		(2,625)	(1,974)
Increase in long-term deposits		-	(230)
Taxes paid		(61,886)	(22,614)
Net cash inflow from operating activities		<u>114,504</u>	<u>152,556</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(13,578)	(12,799)
Proceeds from disposal of property, plant and equipment		3,540	127
Proceeds from disposal of non-current asset classified as held for sale		4,075	-
Net cash outflow from investing activities		<u>(5,963)</u>	<u>(12,672)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash outflow from financing activities - Dividend paid		(141,664)	(59,589)
Net (decrease) / increase in cash and cash equivalents		(33,123)	80,295
Cash and cash equivalents at the beginning of the period		771,993	600,506
Cash and cash equivalents at the end of the period		<u>738,870</u>	<u>680,801</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

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 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 six months period ended June 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 June 30, 2008 and the profit and loss account, statement of changes in equity and the cash flow statement for the six months period ended June 30, 2008, which have been subjected to a review but not audited. These condensed interim financial statements also include the profit and loss account for the quarter ended June 30, 2008, which is not subjected to a review.

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 six months period ended June 30, 2007 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 June 30, 2007 is also included in these condensed interim financial statements, which has not been subjected to a review.

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

		June 30, 2008	December 31, 2007
	Note	(Rupees '000)	
Operating fixed assets	3.1	206,764	184,475
Capital work in progress		7,673	32,983
		<u>214,437</u>	<u>217,458</u>

3.1 Operating fixed assets - cost

	Six months period ended June 30, 2008	Six months period ended June 30, 2007
(Rupees '000)		
Additions		
- buildings	1,572	966
- plant and machinery	28,096	-
- furniture and fittings	306	-
- vehicles	7,022	3,350
- office equipment	1,892	1,638
	38,888	5,954
Disposals [having a net book value of Rs 2.909 million (2007: Rs 0.108 million)]	10,414	127

3.2 During the six months period ended June 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 estimates not been revised, the carrying value of fixed assets as at June 30, 2008 would have been lower by Rs 0.350 million and profit after taxation for the aforementioned six months period would have been lower by Rs 0.158 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 the 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 six months period ended June 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 be 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.

	June 30, 2008	December 31, 2007
	(Rupees '000)	
4.3 Commitments for capital expenditure	<u>8,374</u>	<u>1,011</u>
4.4 Guarantees, post-dated cheques and indemnity bonds issued to Collector of Customs against duty on imported raw materials and other guarantees	<u>14,559</u>	<u>13,511</u>
4.5 Outstanding letter of credits	<u>1,277</u>	<u>38,549</u>

5. VOLUNTARY SEPARATION SCHEME

During the six months period ended June 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 capacity 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:

	Six months period ended June 30, 2008	Six months period ended June 30, 2007 (restated)
	(Rupees '000)	
Cost of goods sold	2,575	-
Distribution expenses	13,780	-
Administrative expenses	<u>2,418</u>	<u>-</u>
Total	<u>18,773</u>	<u>-</u>

6. CASH GENERATED FROM OPERATIONS

Profit before taxation	84,551	195,784
Adjustments for non-cash charges and other items:		
Expenses arising from equity-settled share-based payment plans	2,035	1,657
Depreciation	13,690	15,430
Provision for slow moving and obsolete stocks / (provision written back)	23,203	(1,539)
Gain on disposal of property, plant and equipment	(631)	(19)
Profit on deposit accounts	(29,601)	(26,806)
Working capital changes	54,730	(35,670)
	<u>63,426</u>	<u>(46,947)</u>
	<u>147,977</u>	<u>148,837</u>

6.1 Working capital changes	Six months period ended June 30, 2008	Six months period ended June 30, 2007 (restated)
Decrease / (increase) in current assets:	(Rupees '000)	
Spares	-	(85)
Stocks	(99,793)	100,752
Trade debts	(28,758)	(27,653)
Loans and advances	(6,069)	(9,652)
Deposits and prepayments	(6,253)	(3,010)
Other receivables	381	16,603
	<u>(140,492)</u>	<u>76,955</u>
Increase / (decrease) in current liabilities:		
Trade and other payables	<u>195,222</u>	<u>(112,625)</u>
	<u>54,730</u>	<u>(35,670)</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:

	Six months period ended June 30, 2008	Six months period ended June 30, 2008 (restated)
	(Rupees '000)	
Sales to associated undertakings	46,331	67,370
Purchases from associated undertakings	242,415	64,578
Services from associated undertakings	10,123	7,339
Dividend to associated undertakings	102,503	41,001
Contribution to the gratuity fund	2,291	2,186
Contribution to the provident fund	3,388	3,052
Receivable from the pension fund	361	550
Receivable from the provident fund	1,000	-
Remuneration of key management personnel	20,302	10,362
Payable to the parent company	2,362	-
Payable to associated undertakings	294,294	78,069

8. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on **August 28, 2008** by the board of directors of the company.



Arshad Rahim Khan
Chief Executive



Khwaja Bakhtiar Ahmed
Director