

# Wyeth

Leading the Way to  
a Healthier World

Financial Statements for the  
Nine months period ended  
September 30, 2009

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
Edward Michael Henricks	Alternate : Aliya Yusuf
Gaetan Crucke	Alternate : Dr. Nadim ur Rehman
Maqbool H.H. Rahimtoola	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.  
The Royal Bank of Scotland

### 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. # 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, 92-213-7664203-06 & 111-777-333  
Fax # 92-213-2354681

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, 2009.

**Financial Results**

The company achieved a sales growth of 13.1% in this quarter. The growth not only represents domestic growth but also significant growth in export sales. Gross profit as a percentage of sales has declined to 19.2% from 32.6% over same period last year mainly because of increase in cost of input, depreciation of Pak Rupees and continued inflation. Distribution cost and administrative expenses are higher in the quarter mainly due to inflation. Other operating income for the quarter has decreased mainly due to reduced interest income owing to lower bank deposits. Other operating expenses for the quarter are lower than last year because significant currency translation loss was recorded last year due to sharp depreciation of Pak Rupees vs. US Dollar.

The company's domestic sales and export sales for the nine months period has increased by 10.0% and 38.4% respectively. Net sales growth is 11.7%. The gross profit as a percent of net sales for the nine months has declined to 21.7% from 29.8% mainly due to the reasons explained above. Nine months period distribution cost is in line due to better control over expenses and administrative expenses are higher due to inflation.

**Future Prospect**

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 for the remaining period of the year, despite increase in local sales.

**Significant Event**

Our principal Wyeth has now informed Wyeth Pakistan that the acquisition by Pfizer Inc. of Wyeth has been completed at parent level on October 15, 2009 so Wyeth has become a wholly-owned subsidiary of Pfizer Inc. As a result of this merger, Pfizer Inc. has become the ultimate parent company of Wyeth Pakistan Limited. Wyeth, however, continues to be the principal shareholder of Wyeth Pakistan Limited.

Once again the board of directors would like to express their sincere gratitude to the employees and management of the company for their continued, dedicated and untiring efforts.



**Arshad Rahim Khan**  
Chief Executive




**Javed Iqbal**  
Director

Date : **October 20, 2009**

## CONDENSED INTERIM BALANCE SHEET AS AT SEPTEMBER 30, 2009 (UNAUDITED - NOTE 2)

	Note	September 30, 2009	December 31, 2008
		(Rupees '000)	
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	214,058	226,632
Long-term loans		12,475	9,342
Long-term deposits		1,879	1,957
		<u>228,412</u>	<u>237,931</u>
<b>CURRENT ASSETS</b>			
Spares		2,921	2,912
Stocks		810,688	756,391
Trade debts		293,830	242,804
Loans and advances		21,315	15,907
Deposits and prepayments		18,787	15,655
Interest accrued		-	2,269
Other receivables		16,756	17,860
Taxation - net		109,613	79,912
Short - term investments		-	87,000
Cash and bank balances		16,903	50,911
		<u>1,290,813</u>	<u>1,271,621</u>
		<u>1,519,225</u>	<u>1,509,552</u>
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital		142,161	142,161
Reserves		916,239	940,590
Unappropriated profit		32,829	48,101
		<u>1,091,229</u>	<u>1,130,852</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred taxation		306	8,065
<b>CURRENT LIABILITIES</b>			
Short-term finances under mark-up arrangements		5,316	-
Trade and other payables		422,374	370,635
<b>CONTINGENCIES AND COMMITMENTS</b>			
	5	-	-
		<u>1,519,225</u>	<u>1,509,552</u>

The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.

  
Arshad Rahim Khan  
Chief Executive

  
Javed Iqbal  
Director

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT  
FOR THE QUARTER AND NINE MONTHS PERIOD ENDED  
SEPTEMBER 30, 2009 (UNAUDITED - NOTE 2)**

	For the quarter ended		For the nine months period ended	
	Sep. 30, 2009	Sep. 30, 2008	Sep. 30, 2009	Sep. 30, 2008
	(Rupees '000)		(Rupees '000)	
Net sales	631,787	558,813	1,924,110	1,722,571
Cost of sales	510,430	376,434	1,506,026	1,208,422
Gross profit	121,357	182,379	418,084	514,149
Distribution cost	80,250	70,982	263,086	262,843
Administrative expenses	28,980	21,229	87,703	79,326
	109,230	92,211	350,789	342,169
Operating profit	12,127	90,168	67,295	171,980
Other operating income	1,371	18,641	10,501	54,239
	13,498	108,809	77,796	226,219
Other operating expenses	6,811	43,221	15,438	75,624
Finance cost	1,880	226	3,244	682
	8,691	43,447	18,682	76,306
Profit before taxation	4,807	65,362	59,114	149,913
Taxation				
Current - for the period	8,363	16,190	34,055	50,504
Deferred	(4,371)	7,453	(7,759)	2,450
	3,992	23,643	26,296	52,954
Profit after taxation	815	41,719	32,818	96,959
	Rupees	Rupees	Rupees	Rupees
Basic earnings per share	0.57	29.35	23.09	68.20

The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.



**Arshad Rahim Khan**  
Chief Executive



**Javed Iqbal**  
Director

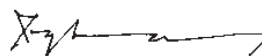
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE NINE MONTHS PERIOD ENDED  
SEPTEMBER 30, 2009 (UNAUDITED - NOTE 2)**

	Issued, subscribed and paid up share capital	RESERVES			Unappropriated profit	Total
		General	Other	Sub total		
.....(Rupees '000).....						
Balance as 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 ended December 31, 2008 @ 100%	-	-	-	-	(142,161)	(142,161)
Share-based payments	-	-	2,035	2,035	-	2,035
Utilisation of reserve 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
Total income for the nine months period ended September 30, 2008	-	-	-	-	-	96,386
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>
Balance at January 1, 2009	142,161	934,743	5,847	940,590	48,101	1,130,852
Transfer from general reserve	-	(22,990)	-	(22,990)	22,990	-
Final dividend for the year ended December 31, 2008 @ 50%	-	-	-	-	(71,080)	(71,080)
Share-based payments	-	-	1,901	1,901	-	1,901
Utilisation of reserves held for share - based payments	-	-	(3,262)	(3,262)	-	(3,262)
Net profit for the nine months period ended September 30, 2009	-	-	-	-	32,818	32,818
Total income for the nine months period ended September 30, 2009	-	-	-	-	-	31,457
Balance as at September 30, 2009	<u>142,161</u>	<u>911,753</u>	<u>4,486</u>	<u>916,239</u>	<u>32,829</u>	<u>1,091,229</u>

The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.



**Arshad Rahim Khan**  
Chief Executive



**Javed Iqbal**  
Director

**CONDENSED INTERIM CASH FLOW STATEMENT  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2009**

	Note	September 30, 2009	September 30, 2008
<b>(Rupees '000)</b>			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	6	20,702	60,943
Profit received on deposit accounts		4,643	39,831
Increase in long-term loans		(3,133)	(6,294)
Decrease in long-term deposits		78	-
Taxes paid		(63,756)	(77,077)
Net cash (outflow) / inflow from operating activities		<u>(41,466)</u>	<u>17,403</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(20,968)	(22,387)
Proceeds from disposal of property, plant and equipment		7,808	3,540
Proceeds from disposal of non-current assets classified as held for sale		-	4,075
Net cash outflow from investing activities		<u>(13,160)</u>	<u>(14,772)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash outflow from financing activities - Dividend paid		(71,698)	(141,681)
Net decrease in cash and cash equivalents		<u>(126,324)</u>	<u>(139,050)</u>
Cash and cash equivalents at the beginning of the period		137,911	771,993
Cash and cash equivalents at the end of the period		<u>11,587</u>	<u>632,943</u>

The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.



**Arshad Rahim Khan**  
Chief Executive



**Javed Iqbal**  
Director



**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2009 (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 specialities 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, 2009 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, 2009 and the profit and loss account, statement of changes in equity and the cash flow statement for the nine months period ended September 30, 2009. These condensed interim financial statements also include the profit and loss account for the quarter ended September 30, 2009.
- 2.3 The comparative balance sheet presented in these condensed interim financial statements as at December 31, 2008 has been extracted from the annual audited financial statements of the company for the year ended December 31, 2008 whereas the items of comparative profit and loss account, statement of changes in equity and the cash flow statement are for the nine months period ended September 30, 2008. The comparative profit and loss account for the quarter ended September 30, 2008 is also included in these condensed interim financial statements.

**3. SIGNIFICANT ACCOUNTING POLICIES**

**3.1 Cash Long Term Incentive Plan (CIP)**

Effective March 5, 2009, Wyeth USA has announced a CIP plan which allows eligible employees the opportunity to receive deferred cash awards. A deferred cash award under the CIP is a right to receive a cash payment upon vesting, subject to continuing employment. Such awards are vested in equal proportion over the three years period from the grant date. The company recognises as an expense an equal proportion of the cost of liability, measured at its best estimate, over the vesting period.

- 3.2 The accounting policies and the methods of computation 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, 2008 except for the adoption of a new accounting policy as referred to in note 3.1.

## 4. PROPERTY, PLANT AND EQUIPMENT

	Note	September 30, 2009	December 31, 2008
(Rupees '000)			
Operating fixed assets	4.1	205,663	224,402
Capital work in progress		8,395	2,230
		<u>214,058</u>	<u>226,632</u>
4.1 Operating fixed assets			
(Rupees '000)			
Additions at cost			
- buildings		582	3,727
• factory on leasehold land		5,392	30,887
- plant and machinery		-	306
- furniture and fittings		6,993	7,222
- vehicles		1,837	1,974
- office equipment		14,804	44,116
Disposals [having a net book value of Rs 5.029 million (2008: Rs 2.909 million)]		<u>26,300</u>	<u>10,414</u>

## 5. CONTINGENCIES AND COMMITMENTS

- 5.1 The Assistant Collector, Sales Tax and Federal Excise has issued an order requiring the company to pay federal excise duty (FED) alongwith penalty and default surcharge amounting to approximately Rs 1 million in respect of fee for technical services.
- The company has subsequently filed an appeal against the order. Based on the advice of its tax consultants, the management is confident that the ultimate decision of the appeal will be in its favour.
- 5.2 The company's request for waiver of sales tax liability amounting to Rs 3.739 million on sale of fixed assets and waiver of additional tax thereon amounting to Rs 4.263 million which was under consideration of the Alternate Dispute Resolution Committee (the committee) has now been decided. The committee has held that sales tax is only attracted on disposal of certain items of fixed assets which aggregate Rs 2.072 million. As the company has already paid sales tax of an amount in excess of the aforementioned liability i.e. Rs 2.072 million, therefore, the company would not be liable to pay any further sales tax in this respect. The management is confident, based on the recommendation of the committee, that the company will not be required to pay additional tax and therefore a provision has not been made in this respect in these financial statements. Without prejudice to its claim and as a matter of abundant caution, a provision of Rs 4.015 million (2008: Rs 4.015 million) is being carried by the company in these financial statements in respect of the principal amount of sales tax involved.

- 5.3 Two ex-distributors have filed claims against the company aggregating Rs 84.929 million (2008: Rs 134.929) for recovery of damages. Based on the opinion of its legal counsel, 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.
- 5.4 The income tax assessments of the company have been finalized upto and including the accounting year ended December 31, 2007. While finalizing the assessments of the company, the tax authorities have made arbitrary additions and disallowances to taxable income of various tax assessments upto the accounting year ended December 31, 2002 which have resulted in a tax demand of Rs 199.026 million (2008: Rs 229.328 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 purchase 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 this business.
  - The assessing officer has disallowed the credit for adjustments 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 88.294 million (2008: Rs 88.294 million) is being carried against the above demands on grounds of prudence. The management is confident that the ultimate decision of the appeals will be in the company's favor.
- 5.5 The contingency for an aggregate amount of Rs 247.572 million as disclosed in note 18.1 to the audited financial statements for the year ended December 31, 2008 has remained unchanged.

	September 30, 2009	December 31, 2008
	(Rupees '000)	
5.6 Guarantees, post dated cheques and indemnity bonds issued to the Collector of Customs against duty on imported raw materials and other guarantees	<u>14,836</u>	<u>14,559</u>
5.7 Commitments for capital expenditure	<u>10,543</u>	<u>1,038</u>
5.8 Outstanding letters of credit for imports of raw materials and finished goods	<u>31,171</u>	<u>53,239</u>

## 6. CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES

	Note	Nine months period ended September 30, 2009	Nine months period ended September 30, 2008
		(Rupees '000)	
Profit before taxation		59,114	149,913
Adjustments for non-cash charges and other items:			
Net (decrease) / increase in reserve for equity-settled share-based payment		(1,361)	2,035
Depreciation		28,511	21,000
Provision for slow moving and obsolete stock		713	8,467
Provision for expired stock claims		2,775	-
Non current assets classified as held for sale written off		-	3,025
Gain on disposal of property, plant and equipment		(2,779)	(631)
Profit on deposit accounts		(2,374)	(46,304)
Working capital changes	6.1	(63,897)	(76,562)
		<u>(38,412)</u>	<u>(88,970)</u>
		<u>20,702</u>	<u>60,943</u>
6.1 Working capital changes			
(Increase) / decrease in current assets:			
Spares		(9)	(215)
Stocks		(55,010)	(100,472)
Trade debts		(51,026)	(68,598)
Loans and advances		(5,408)	(16,957)
Deposits and prepayments		(3,132)	(5,732)
Other receivables		1,104	(7,248)
		<u>(113,481)</u>	<u>(199,222)</u>
Increase in current liabilities:			
Trade and other payables		49,584	122,660
		<u>(63,897)</u>	<u>(76,562)</u>

## 7. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of the principal shareholder Wyeth, related group companies, staff retirement benefit funds, directors and key management personnel. 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, 2009	Nine months period ended September 30, 2008
<b>(Rupees '000)</b>		
<b>Transactions</b>		
Sale of goods to related parties	106,889	73,063
Goods purchased from related parties	427,640	308,706
Services received from related parties	19,751	14,723
Dividend to related parties	51,252	102,503
Contribution to the gratuity fund	4,676	3,619
Contribution to the provident fund	5,582	5,065
Remuneration of key management personnel	27,791	24,175
<b>Balances</b>		
<b>(Rupees '000)</b>		
Receivable from the pension fund	-	362
Receivable from the provident fund	27	-
Payable to the principal shareholder	2,444	2,608
Payable to related parties	139,693	127,010

## 8. SIGNIFICANT EVENT

Our principal Wyeth has now informed Wyeth Pakistan that the acquisition by Pfizer Inc. of Wyeth has been completed at parent level on October 15, 2009 so Wyeth has become a wholly-owned subsidiary of Pfizer Inc. As a result of this merger, Pfizer Inc. has become the ultimate parent company of Wyeth Pakistan Limited. Wyeth, however, continues to be the principal shareholder of Wyeth Pakistan Limited.

## 9. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on **October 20, 2009** by the board of directors of the company.



**Arshad Rahim Khan**  
Chief Executive



**Javed Iqbal**  
Director