

**Wyeth**

Leading the Way to  
a Healthier World

Accounts for the  
Six Months period ended  
May 31, 2012

**WYETH PAKISTAN LIMITED**

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## Company Information

### BOARD OF DIRECTORS

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

### COMPANY SECRETARY

S. M. Wajeehuddin

### AUDIT COMMITTEE

Iftekhar Soomro Chairman  
Badaruddin F. Vellani  
Iftekhar Ahmed Jafri

### BANKERS

Citibank, N.A.  
Standard Chartered Bank (Pakistan) Limited

### 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 No. 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 information of your Company for the half year ended May 31, 2012. This condensed interim financial information has been prepared in accordance with the applicable requirements of Internal Financial Reporting Standards (IAS 34-Interim Financial Reporting) and the Companies Ordinance 1984.

Our business improved in the last quarter, with sales and gross profit showing an overall growth of 9% and 8%, respectively, for the six months under review as compared to the same period last year. This improvement is due to vigorous and innovative marketing and selling strategies adopted by your Company amid sluggish market uptake this year. The 14% growth in selling, marketing and distribution expenses, is reflective of rising inflation and increased transportation and fuel cost, which are the main reasons for a diluted profit before tax, as compared to previous corresponding period.

Pakistan's perennial economic issues of high inflation and persistent rupee depreciation continue to negatively impact the pharmaceutical industry, particularly due to its dependence on imported raw materials. This has continued to cause a strain to companies like yours that are unflinching in their commitment to provide safe and high quality medicines to patients in Pakistan. These issues, together with no general price increase since 2001, has left the business economics grim for the longer run, and there appears to be no respite unless some drastic measures are instituted by the Government. Further, the regulatory stalemate continues despite the formation of the Drug Regulatory Agency. We hope the Government will take immediate measures to address this and some of the other deep rooted issues of the pharmaceutical industry, such as enforcement of Intellectual Property Rights and implementation of Data Exclusivity legislations. These challenges will adversely impact management's efforts to continue to grow during the remainder of the year.

In April 2012, Pfizer Inc., USA, the Company's ultimate parent company, entered into an agreement to divest its Nutrition business globally, including Pakistan, to Nestle S.A. As a consequence of this agreement, Pfizer Inc., has decided to present its worldwide Nutrition business as discontinued operations, in its financial statements. Although in Pakistan the Nutrition business does not represent a separate major line of business, or major geographical area of operations, for the Company, in order to conform to the ultimate parent company's presentation of such business, the Company has also decided to present its Nutrition business in Pakistan as discontinued operations.

In the end, we are equally appreciative and thankful to our colleagues for their commitment and continued efforts to steer our organization through these difficult times.



**Abdul Majeed**  
Chairman & Chief Executive

Karachi: July 26, 2012



**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 2012 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity 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 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 six months period ended 31 May 2012, 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 2012 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

Date: July 26, 2012

Karachi

  
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 May 31, 2012

|                                      | Note | May 31,<br>2012<br>(Unaudited) | November 30,<br>2011<br>(Audited) |
|--------------------------------------|------|--------------------------------|-----------------------------------|
| <b>(Rupees in '000)</b>              |      |                                |                                   |
| <b>NON-CURRENT ASSETS</b>            |      |                                |                                   |
| Property, plant and equipment        | 5    | 128,596                        | 134,964                           |
| Long-term loans                      |      | 5,582                          | 6,776                             |
| Long-term deposits                   |      | 3,156                          | 3,156                             |
| Deferred taxation                    |      | 12,514                         | 9,956                             |
| <b>Total non - current assets</b>    |      | <b>149,848</b>                 | 154,852                           |
| <b>CURRENT ASSETS</b>                |      |                                |                                   |
| Spares                               |      | 13,286                         | 14,482                            |
| Stock-in-trade                       |      | 1,402,595                      | 1,246,265                         |
| Trade debts                          |      | 88,742                         | 44,300                            |
| Loans and advances                   |      | 119,922                        | 39,910                            |
| Deposits and prepayments             |      | 11,245                         | 11,786                            |
| Interest accrued                     |      | 506                            | 255                               |
| Other receivables                    |      | 26,201                         | 26,761                            |
| Taxation-net                         |      | 109,722                        | 115,806                           |
| Cash and bank balances               |      | 60,414                         | 69,797                            |
| <b>Total current assets</b>          |      | <b>1,832,633</b>               | 1,569,362                         |
| <b>Total assets</b>                  |      | <b>1,982,481</b>               | 1,724,214                         |
| <b>SHARE CAPITAL AND RESERVES</b>    |      |                                |                                   |
| Share capital                        |      | 142,161                        | 142,161                           |
| Reserves                             |      | 947,742                        | 847,498                           |
| Unappropriated profit                |      | 124,296                        | 180,725                           |
| <b>Total equity</b>                  |      | <b>1,214,199</b>               | 1,170,384                         |
| <b>CURRENT LIABILITIES</b>           |      |                                |                                   |
| Trade and other payables             |      | 718,282                        | 553,830                           |
| Short term borrowing - unsecured     | 6    | 50,000                         | -                                 |
|                                      |      | 768,282                        | 553,830                           |
| <b>Total equity and liabilities</b>  |      | <b>1,982,481</b>               | 1,724,214                         |
| <b>CONTINGENCIES AND COMMITMENTS</b> |      |                                |                                   |
|                                      | 8    |                                |                                   |

The annexed notes 1 to 13 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 six months period ended May 31, 2012

| Note  | For the six months period ended |                 | For the three months period ended |                 |
|---|---------------------------------|-----------------|-----------------------------------|-----------------|
|   | May 31,<br>2012                 | May 31,<br>2011 | May 31,<br>2012                   | May 31,<br>2011 |
| ----- (Rupees in '000) -----  |                                 |                 |                                   |                 |
| <b>Continuing operations</b>  |                                 |                 |                                   |                 |
| Net sales   | 1,601,130                       | 1,467,635       | 871,546                           | 758,268         |
| Cost of sales   | 1,207,917                       | 1,102,268       | 658,236                           | 569,706         |
| Gross profit  | 393,213                         | 365,367         | 213,310                           | 188,562         |
| Selling, marketing and<br>distribution expenses                                   | 207,545                         | 182,881         | 127,126                           | 83,900          |
| Administrative expenses   | 46,701                          | 41,861          | 24,503                            | 21,112          |
|   | 254,246                         | 224,742         | 151,629                           | 105,012         |
|   | 138,967                         | 140,625         | 61,681                            | 83,550          |
| Other operating income  | 10,325                          | 24,360          | 4,390                             | 15,114          |
| Other operating expenses  | 12,229                          | 17,987          | 737                               | 10,814          |
|   | (1,904)                         | 6,373           | 3,653                             | 4,300           |
| Operating profit  | 137,063                         | 146,998         | 65,334                            | 87,850          |
| Finance cost  | 87                              | 601             | 50                                | 462             |
| Profit before taxation  | 136,976                         | 146,397         | 65,284                            | 87,388          |
| Taxation  |                                 |                 |                                   |                 |
| Current-for the period  | 39,049                          | 73,709          | 11,072                            | 37,958          |
| -for prior years  | -                               | 12,500          | -                                 | 12,500          |
| Deferred  | (2,558)                         | (10,061)        | (6,125)                           | (4,032)         |
|   | 36,491                          | 76,148          | 4,947                             | 46,426          |
| Profit after tax from<br>continuing operations                                    | 100,485                         | 70,249          | 60,337                            | 40,962          |
| <b>Discontinued operations</b>  |                                 |                 |                                   |                 |
| (Loss) / profit for the period<br>from discontinued<br>operations (net of tax) 10 | (50)                            | 9,402           | 95                                | 5,859           |
| <b>Total profit after tax for<br/>the period</b>                                  | <b>100,435</b>                  | <b>79,651</b>   | <b>60,432</b>                     | <b>46,821</b>   |
|   | (Rupees)                        |                 | (Rupees)                          |                 |
| Earnings / (loss) per share   |                                 |                 |                                   |                 |
| - From continuing operations  | 70.68                           | 49.42           | 42.44                             | 28.81           |
| - From discontinued operations  | (0.03)                          | 6.61            | 0.07                              | 4.12            |
| Earnings per share -<br>basic and diluted   | 70.65                           | 56.03           | 42.51                             | 32.93           |

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.



Abdul Majeed  
Chief Executive



S. M. Wajeehuddin  
Director

**Condensed Interim Statement of Comprehensive Income (Unaudited)**  
**For the six months period ended May 31, 2012**

|                                | For the six months period ended |                 | For the three months period ended |                 |
|--------------------------------|---------------------------------|-----------------|-----------------------------------|-----------------|
|                                | May 31,<br>2012                 | May 31,<br>2011 | May 31,<br>2012                   | May 31,<br>2011 |
| ----- (Rupees in '000) -----   |                                 |                 |                                   |                 |
| <b>Continuing operations</b>   |                                 |                 |                                   |                 |
| Profit after taxation          | 100,485                         | 70,249          | 60,337                            | 40,962          |
| Other comprehensive income     | -                               | -               | -                                 | -               |
| <b>Discontinued operations</b> |                                 |                 |                                   |                 |
| (Loss) / profit after taxation | (50)                            | 9,402           | 95                                | 5,859           |
| Other comprehensive income     | -                               | -               | -                                 | -               |
| Total comprehensive income     | <u>100,435</u>                  | <u>79,651</u>   | <u>60,432</u>                     | <u>46,821</u>   |

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.



Abdul Majeed  
Chief Executive



S. M. Wajeehuddin  
Director



## Condensed Interim Cash Flow Statement (Unaudited) For the six months period ended May 31, 2012

|   | Note | For the six months period ended |                 |
|---|------|---------------------------------|-----------------|
|   |      | May 31,<br>2012                 | May 31,<br>2011 |
| (Rupees in '000)  |      |                                 |                 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>             |      |                                 |                 |
| Cash generated from operations                          | 9    | 32,903                          | 224,964         |
| Profit received on deposit accounts                     |      | 1,789                           | 16,376          |
| Decrease in long-term loans                             |      | 1,194                           | 2,253           |
| Increase in long-term deposits                          |      | -                               | (981)           |
| Taxes paid  |      | (34,173)                        | (50,506)        |
| Net cash generated from operating activities            |      | 1,713                           | 192,106         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>             |      |                                 |                 |
| Capital expenditure incurred                            |      | (7,920)                         | (8,167)         |
| Proceeds from disposal of property, plant and equipment |      | 3,688                           | -               |
| Net cash used in investing activities                   |      | (4,232)                         | (8,167)         |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>             |      |                                 |                 |
| Proceeds from short term borrowing                      |      | 50,000                          | -               |
| Dividend paid   |      | (56,864)                        | (5,149)         |
| Net cash used in financing activities                   |      | (6,864)                         | (5,149)         |
| Net (decrease) / increase in cash and cash equivalents  |      | (9,383)                         | 178,790         |
| Cash and cash equivalents at beginning of the period    |      | 69,797                          | 241,928         |
| Cash and cash equivalents at end of the period          |      | 60,414                          | 420,718         |

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.



Abdul Majeed  
Chief Executive



S. M. Wajeehuddin  
Director

## Condensed Interim Statement of Changes in Equity (Unaudited) For the six months period ended May 31, 2012

|  | Share capital<br>Issued,<br>subscribed<br>and paid-<br>up capital | Reserves           |                            |                | Unappropriated<br>profit / (loss) | Total            |
|--|---|--------------------|----------------------------|----------------|-----------------------------------|------------------|
|  |   | General<br>reserve | Share<br>based<br>payments | Sub<br>total   |                                   |                  |
| (Rupees in '000)   |   |                    |                            |                |                                   |                  |
| <b>Balance as at November 30, 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 six months period ended May 31, 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<br>November 30, 2010 at Rs. 10 per share | -   | -                  | -                          | -              | (14,216)                          | (14,216)         |
| Share-based payments   | -   | -                  | 63                         | 63             | -                                 | 63               |
|  | -   | -                  | 63                         | 63             | (14,216)                          | (14,153)         |
| Transfer from general reserve  | -   | (80,000)           | -                          | (80,000)       | 80,000                            | -                |
| <b>Balance as at May 31, 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> |
| <b>Balance as at November 30, 2011</b>                                     | 142,161   | 831,753            | 15,745                     | 847,498        | 180,725                           | 1,170,384        |
| <b>Total comprehensive income for the period</b>                           |   |                    |                            |                |                                   |                  |
| Profit for the six months period ended<br>May 31, 2012                     | -   | -                  | -                          | -              | 100,435                           | 100,435          |
| Other comprehensive income for the period                                  | -   | -                  | -                          | -              | -                                 | -                |
|  | -   | -                  | -                          | -              | 100,435                           | 100,435          |
| <b>Transactions with owners</b>  |   |                    |                            |                |                                   |                  |
| Final dividend for the year ended<br>November 30, 2011 at Rs. 40 per share | -   | -                  | -                          | -              | (56,864)                          | (56,864)         |
| Share-based payments   | -   | -                  | 244                        | 244            | -                                 | 244              |
|  | -   | -                  | 244                        | 244            | (56,864)                          | (56,620)         |
| Transfer to general reserve  | -   | 100,000            | -                          | 100,000        | (100,000)                         | -                |
| <b>Balance as at May 31, 2012</b>  | <u>142,161</u>  | <u>931,753</u>     | <u>15,989</u>              | <u>947,742</u> | <u>124,296</u>                    | <u>1,214,199</u> |

The annexed notes 1 to 13 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 six months period ended May 31, 2012****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.

Wyeth LLC, USA is the principal shareholder of the Company, however, the ultimate parent company is Pfizer Inc.

**2. BASIS OF PREPARATION**

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 information reported for full annual financial statements and should, therefore, be read in conjunction with the audited financial statements for the year ended November 30, 2011.

This condensed interim financial information is presented in Pakistan Rupee which is the functional currency of the Company and rounded off to the nearest thousand rupees.

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 May 31, 2012 have, however, been subjected to limited scope review by auditors.

**3. SUMMARY OF 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 November 30, 2011.
- 3.2 As referred in note 10 to the condensed interim financial information, the Company classified its Nutrition business as discontinued operations. A discontinued operation is a component of a company's business that has been disposed off or is held for sale. When an operation is classified as a discontinued operation, the profit and loss account and statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.
- 3.3 Amendments to certain existing standards and new interpretations on approved accounting standards that became 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, liabilities, 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 November 30, 2011. 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 November 30, 2011.

|  | May 31,<br>2012  | November 30,<br>2011 |
|--|------------------|----------------------|
|  | (Rupees in '000) |                      |
| <b>5. PROPERTY, PLANT AND EQUIPMENT</b>  |                  |                      |
| Operating fixed assets   | 120,121          | 132,874              |
| Capital work in progress   | 8,475            | 2,090                |
|  | <u>128,596</u>   | <u>134,964</u>       |
| 5.1 Operating fixed assets include following additions during the period / year :    |                  |                      |
| Factory building to leasehold land   | -                | 1,409                |
| Plant and machinery  | -                | 8,993                |
| Vehicles   | 1,535            | 5,003                |
| Office equipment   | -                | 455                  |
|  | <u>1,535</u>     | <u>15,860</u>        |
| Disposal of vehicles [having a net book value of Rs. 0.365 thousand (2011: Rs Nil)]. | <u>4,162</u>     | <u>1,419</u>         |
| <b>6. SHORT TERM BORROWING - unsecured</b>   |                  |                      |
| Short term loan from associated company 6.1  | <u>50,000</u>    | <u>-</u>             |

- 6.1 The Company obtained a loan amounting to Rs. 50 million on May 31, 2012 from Pfizer Pakistan Limited (an associated company) against the available finance facility of Rs. 200 million. The loan is repayable either on demand or on the expiry of the facility i.e. February 28, 2013, whichever is earlier. The loan carries a markup at the rate of KIBOR+1% per annum.

## 7. OPERATING SEGMENTS

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

- 7.1 Sales from pharmaceutical products and others represent 96.2% and 3.8% (May 31, 2011: 95.1% and 4.9%) of total revenue of the Company respectively.
- 7.2 The sales percentage by geographic region is as follows:

|                       | May 31,<br>2012 | May 31,<br>2011 |
|-----------------------|-----------------|-----------------|
|                       | (Percentage)    |                 |
| Pakistan              | 92.3            | 92.4            |
| Other Asian countries | 7.7             | 7.6             |
|                       | <u>100.0</u>    | <u>100.0</u>    |

- 7.3 All non-current assets of the Company as at May 31, 2012 are located in Pakistan.
- 7.4 Sales to four major customers (distributors) of the Company is around 49.6% during the six months period ended May 31, 2012 (May 31, 2011: 49.3%).

## 8. CONTINGENCIES AND COMMITMENTS

- 8.1 Certain ex-employees of the Company have filed claims aggregating to Rs. 247.572 million (2011: Rs. 247.572 million) against the Company. The Company is contesting the claims in the courts and the management is confident that the ultimate decision of the subject cases will be in favour of the Company. Accordingly, no provision has been made in the condensed financial information in respect of these claims.
- 8.2 Two ex-distributors have filed claims against the Company aggregating to Rs. 84.929 million (2011: 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.
- 8.3 The Company has filed income tax returns under section 120 of the Income Tax Ordinance up to and including the tax year 2011. 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 (2011: 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. 125.562 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.

- 8.4 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.

|   | <b>May 31,<br/>2012</b> | <b>November 30,<br/>2011</b> |
|---|-------------------------|------------------------------|
|   | <b>(Rupees in '000)</b> |                              |
| <b>Commitments</b>  |                         |                              |
| 8.5 Commitments for capital expenditure   | <u><b>604</b></u>       | <u>157</u>                   |
| 8.6 Guarantees and indemnity bonds issued to Collector of Customs against duty on imported raw materials and other guarantees | <u><b>166</b></u>       | <u>166</u>                   |
| 8.7 Outstanding letter of credit  | <u><b>68,734</b></u>    | <u>136,894</u>               |

|  | Note | May 31,<br>2012  | May 31,<br>2011 |
|--|------|------------------|-----------------|
| <b>(Rupees in '000)</b>  |      |                  |                 |
| <b>9. CASH GENERATED FROM OPERATIONS</b>                             |      |                  |                 |
| Profit before taxation   |      | 138,134          | 156,477         |
| Adjustments for non-cash charges and other items:                    |      |                  |                 |
| Net increase in reserve for equity-settled share-based payment plans |      | 244              | 63              |
| Depreciation   |      | 13,923           | 13,878          |
| Net provision for slow moving and obsolete stock                     |      | 7,966            | 32,006          |
| Short term deposits written off                                      |      | -                | 1,339           |
| Provision / (reversal of provision) for doubtful debts               |      | 377              | (2,693)         |
| Gain on disposal of property, plant and equipment                    |      | (3,323)          | -               |
| Profit on deposit accounts   |      | (2,040)          | (16,601)        |
| Working capital changes  | 9.1  | (122,378)        | 40,495          |
|  |      | <u>32,903</u>    | <u>224,964</u>  |
| <b>9.1 Working capital changes</b>                                   |      |                  |                 |
| (Increase) / decrease in current assets:                             |      |                  |                 |
| Spares   |      | 1,196            | 833             |
| Stocks-in-trade  |      | (164,296)        | (33,604)        |
| Trade debts  |      | (44,819)         | (10,698)        |
| Loans and advances   |      | (80,012)         | 18,254          |
| Deposits and prepayments   |      | 541              | 1,601           |
| Other receivables  |      | 560              | (13,311)        |
|  |      | <u>(286,830)</u> | <u>(36,925)</u> |
| Increase / (decrease) in current liabilities:                        |      |                  |                 |
| Trade and other payables   |      | 164,452          | 77,420          |
|  |      | <u>(122,378)</u> | <u>40,495</u>   |

## 10. DISCONTINUED OPERATIONS

In April 2012, Pfizer Inc., USA, the Company's ultimate parent company, entered into an agreement to divest its Nutrition business globally to Nestle S.A. The transaction is expected to close after obtaining the required regulatory clearances and satisfaction of the other closing conditions. This sale will also include the Nutrition business carried on in Pakistan by the Company. As a consequence of this agreement, Pfizer Inc., has decided to present its worldwide Nutrition business as discontinued operations. Although, in Pakistan the Nutrition business does not represent a separate major line of business, or geographical area of operations, for the Company, in order to conform to the ultimate parent company's decision with regard to the presentation of such business, the Company has decided to present its Nutrition business in Pakistan as discontinued operations. The revenues and expenses related to the Nutrition business carried on in Pakistan by the Company are given below:

|  | For the six months period ended |                 | For the three months period ended |                 |
|--|---------------------------------|-----------------|-----------------------------------|-----------------|
|  | May 31,<br>2012                 | May 31,<br>2011 | May 31,<br>2012                   | May 31,<br>2011 |
| ----- (Rupees in '000) -----                 |                                 |                 |                                   |                 |
| Net sales                                    | 61,745                          | 76,339          | 37,977                            | 32,744          |
| Cost of sales                                | 42,252                          | 49,211          | 25,629                            | 20,359          |
| Gross profit                                 | 19,493                          | 27,128          | 12,348                            | 12,385          |
| Selling, marketing and distribution expenses | 16,448                          | 14,123          | 10,761                            | 4,667           |
| Administrative expenses                      | 1,801                           | 2,177           | 1,078                             | 902             |
|  | 18,249                          | 16,300          | 11,839                            | 5,569           |
|  | 1,244                           | 10,828          | 509                               | 6,816           |
| Other operating income                       | -                               | -               | -                                 | -               |
| Other operating expenses                     | 86                              | 748             | 35                                | 471             |
|  | (86)                            | (748)           | (35)                              | (471)           |
| Operating profit                             | 1,158                           | 10,080          | 474                               | 6,345           |
| Profit before taxation                       | 1,158                           | 10,080          | 474                               | 6,345           |
| Taxation                                     |                                 |                 |                                   |                 |
| Current-for the period                       | 1,208                           | 678             | 379                               | 486             |
| -for prior years                             | -                               | -               | -                                 | -               |
| Deferred                                     | -                               | -               | -                                 | -               |
|  | 1,208                           | 678             | 379                               | 486             |
| (Loss) / profit after tax                    | (50)                            | 9,402           | 95                                | 5,859           |

Following is the breakup of cash flows from discontinued operations:

|                                     |          |        |
|-------------------------------------|----------|--------|
| Operating cash (outflows) / inflows | (25,460) | 29,378 |
| Investing cash flows                | -        | -      |
| Financing cash flows                | -        | -      |
| Net cash (outflows) / inflows       | (25,460) | 29,378 |

As of May 31, 2012, stock-in-trade of Nutrition business amounts to Rs. 93.622 million and the related creditors amount to Rs. 15.919 million.

### 11. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise the ultimate parent company (Pfizer Inc., USA), related group companies (associated 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 this condensed interim financial information is as follows:



|   | May 31,<br>2012  | May 31,<br>2011 |
|---|------------------|-----------------|
|   | (Rupees in '000) |                 |
| <b>Transactions</b>   |                  |                 |
| Sale of goods to associated companies / transfer of inventory to associated companies | <u>132,433</u>   | <u>106,479</u>  |
| Goods purchased / transfer of inventory from associated companies                     | <u>415,496</u>   | <u>192,836</u>  |
| Services from associated undertakings   | <u>44,760</u>    | <u>20,748</u>   |
| Loan from an associated company   | <u>50,000</u>    | <u>-</u>        |
| Dividend to the parent company  | <u>41,001</u>    | <u>10,250</u>   |
| Contribution to retirement benefit funds  | <u>3,853</u>     | <u>3,718</u>    |
| Remuneration of key management personnel  | <u>2,652</u>     | <u>2,279</u>    |
|   | (Rupees in '000) |                 |
| <b>Balances</b>   |                  |                 |
| Payable to retirement benefit funds - net   | <u>9,413</u>     | <u>4,470</u>    |

## 12. 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 November 30, 2011. 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 six months period ended May 31, 2011, which were subject to limited scope review by the auditors as required by the Code of Corporate Governance.

## 13. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on July 26, 2012 by the Board of Directors of the Company.



**Abdul Majeed**  
Chief Executive



**S. M. Wajeehuddin**  
Director