

wyeth

Leading the Way to
a Healthier World

Accounts for the
Nine Months period ended
August 31, 2012

WYETH PAKISTAN LIMITED

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Company Information

BOARD OF DIRECTORS

Abdul Majeed Chairman & Chief Executive
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 (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

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 period ended August 31, 2012. This condensed interim financial information has been prepared in accordance with the applicable requirements of International Financial Reporting Standards (IAS 34-Interim Financial Reporting) and the Companies Ordinance 1984.

This year continues to be tough for businesses with intermittent disruptions as a result of severe bad weather and overall worsening law and order situation. Despite this, your Company has returned 6% growth in sales as compared to same period last year leveraging the brand equity of its products. However, the gross profit could only register an increase of 2% mainly as a result of continuing inflationary pressures on costs. This, along with a 6% increase in operating expenses, resulted in profit before taxation shrinking by 8% over the same period last year.

With issues ranging from deteriorating law and order situation, harsh weather spells and year-on-year floods, to consistent double digit inflation and rupee depreciation, the socio-economic outlook continues to be challenging. Adding to the severity, there still appears to be no long term strategy of the Government to address or lighten their impact. Besides, the prime issue of price increase continues to hurt our business. Although nominal price increases have been granted for hardship cases, the industry is awaiting for general price increase, on a regular basis, for more than a decade now. Your Company foresees these challenges to continue impacting the business during the remainder of the year. We are however hopeful that our internal efficiencies will enable your Company to minimize the impacts of such challenges and keep our operations efficient.

The board of directors wishes to express their sincere gratitude to the colleagues and management of the Company for their dedicated and untiring efforts to attain the Company's objectives.



Abdul Majeed
Chairman & Chief Executive

Karachi: September 26, 2012

Condensed Interim Balance Sheet As at August 31, 2012

	Note	August 31, 2012 (Unaudited)	November 30, 2011 (Audited)
(Rupees in '000)			
NON-CURRENT ASSETS			
Property, plant and equipment	5	131,760	134,964
Long-term loans		6,201	6,776
Long-term deposits		3,156	3,156
Deferred taxation		12,480	9,956
Total non - current assets		153,597	154,852
CURRENT ASSETS			
Spares		14,914	14,482
Stock-in-trade		1,391,606	1,246,265
Trade debts		60,290	44,300
Loans and advances		83,530	39,910
Deposits and prepayments		18,049	11,786
Interest accrued		380	255
Other receivables		32,998	26,761
Taxation-net		83,266	115,806
Cash and bank balances		153,867	69,797
Total current assets		1,838,900	1,569,362
Total assets		1,992,497	1,724,214
SHARE CAPITAL AND RESERVES			
Share capital		142,161	142,161
Reserves		947,742	847,498
Unappropriated profit		145,569	180,725
Total equity		1,235,472	1,170,384
CURRENT LIABILITIES			
Trade and other payables		757,025	553,830
Total equity and liabilities		1,992,497	1,724,214
CONTINGENCIES AND COMMITMENTS 7			

The annexed notes 1 to 12 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 August 31, 2012

Note	For the nine months period ended		For the three months period ended	
	August 31, 2012	August 31, 2011	August 31, 2012	August 31, 2011
----- (Rupees in '000) -----				
Continuing operations				
Net sales	2,345,612	2,211,924	744,482	744,289
Cost of sales	1,772,907	1,648,397	564,990	546,129
Gross profit	572,705	563,527	179,492	198,160
Selling, marketing and distribution expenses	290,646	278,293	83,101	95,412
Administrative expenses	69,050	59,860	22,349	17,999
	359,696	338,153	105,450	113,411
	213,009	225,374	74,042	84,749
Other operating income	26,449	33,873	16,124	9,513
Other operating expenses	32,126	32,631	19,897	14,644
	(5,677)	1,242	(3,773)	(5,131)
Operating profit	207,332	226,616	70,269	79,618
Finance cost	833	1,202	746	601
Profit before taxation	206,499	225,414	69,523	79,017
Taxation				
Current-for the period	81,929	97,809	42,880	24,100
-for prior years	-	12,500	-	-
Deferred	(2,524)	(8,970)	34	1,091
	79,405	101,339	42,914	25,191
Profit after tax from continuing operations	127,094	124,075	26,609	53,826
Discontinued operations				
(Loss) / profit for the period from discontinued operations (net of tax)	(5,386)	17,462	(5,336)	8,060
Total profit after tax for the period	121,708	141,537	21,273	61,886
	(Rupees)		(Rupees)	
Earnings / (loss) per share				
- From continuing operations	89.40	87.28	18.72	37.86
- From discontinued operations	(3.79)	12.28	(3.75)	5.67
Earnings per share - basic and diluted	85.61	99.56	14.97	43.53

The annexed notes 1 to 12 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 nine months period ended August 31, 2012**

	For the nine months period ended		For the three months period ended	
	August 31, 2012	August 31, 2011	August 31, 2012	August 31, 2011
----- (Rupees in '000) -----				
Continuing operations				
Profit after taxation	127,094	124,075	26,609	53,826
Other comprehensive income	-	-	-	-
Discontinued operations				
(Loss) / profit after taxation	(5,386)	17,462	(5,336)	8,060
Other comprehensive income	-	-	-	-
Total comprehensive income	<u>121,708</u>	<u>141,537</u>	<u>21,273</u>	<u>61,886</u>

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.



Abdul Majeed
Chief Executive



S. M. Wajeeruddin
Director

Condensed Interim Cash Flow Statement (Unaudited) For the nine months period ended August 31, 2012

	Note	For the nine months period ended	
		August 31, 2012	August 31, 2011
(Rupees in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	8	200,916	(51,821)
Profit received on deposit accounts		1,915	26,688
Decrease in long-term loans		575	2,128
Increase in long-term deposits		-	(977)
Taxes paid		(50,862)	(78,373)
Net cash generated from / (used in) operating activities		152,544	(102,355)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(18,366)	(9,617)
Proceeds from disposal of property, plant and equipment		6,756	1,154
Net cash used in investing activities		(11,610)	(8,463)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash used in financing activities - Dividend paid		(56,864)	(14,235)
Net increase / (decrease) in cash and cash equivalents		84,070	(125,053)
Cash and cash equivalents at beginning of the period		69,797	241,928
Cash and cash equivalents at end of the period		153,867	116,875

The annexed notes 1 to 12 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 August 31, 2012

	Share capital Issued, subscribed and paid- up capital	Reserves			Unappropriated profit / (accumulated loss)	Total
		General reserve	Share based payments	Sub total		
.....(Rupees in '000).....						
Balance as at November 30, 2010	142,161	911,753	15,288	927,041	(60,379)	1,008,823
Total comprehensive income for the period						
Profit for the nine months period ended August 31, 2011	-	-	-	-	141,537	141,537
Other comprehensive income for the period	-	-	-	-	-	-
	-	-	-	-	141,537	141,537
Transactions with owners						
Final dividend for the year ended 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	-
Balance as at August 31, 2011	142,161	831,753	15,351	847,104	146,942	1,136,207
Balance as at November 30, 2011	142,161	831,753	15,745	847,498	180,725	1,170,384
Total comprehensive income for the period						
Profit for the nine months period ended August 31, 2012	-	-	-	-	121,708	121,708
Other comprehensive income for the period	-	-	-	-	-	-
	-	-	-	-	121,708	121,708
Transactions with owners						
Final dividend for the year ended 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)	-
Balance as at August 31, 2012	142,161	931,753	15,989	947,742	145,569	1,235,472

The annexed notes 1 to 12 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 August 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.

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 9 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.

	August 31, 2012	November 30, 2011
	(Rupees in '000)	
5. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets	120,889	132,874
Capital work in progress	10,871	2,090
	131,760	134,964
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	8,010	5,003
Office equipment	1,576	455
	9,586	15,860
Disposal of vehicles [having a net book value of Rs. 0.807 thousand (2011: Rs Nil)].	8,169	1,419

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 96.2% and 3.8% (August 31, 2011: 95.3% and 4.7%) of total revenue of the Company respectively.
- 6.2 The sales percentage by geographic region was 93.7% (2011: 94.9%) and 6.3% (2011: 5.1%) from sale in Pakistan and other Asian countries, respectively.
- 6.3 All non-current assets of the Company as at August 31, 2012 are located in Pakistan.
- 6.4 Sales to four major customers (distributors) of the Company is around 49.6% during the nine months period ended August 31, 2012 (August 31, 2011: 49.8%).

7. CONTINGENCIES AND COMMITMENTS

- 7.1 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.

7.2 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.

7.3 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 tax advisors, the management is confident that the ultimate decision of the appeals will be in the Company's favour.

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

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

	August 31, 2012	November 30, 2011
Commitments	(Rupees in '000)	
7.5 Commitments for capital expenditure	6,118	157
7.6 Guarantees and indemnity bonds issued to Collector of Customs against duty on imported raw materials and other guarantees	166	166
7.7 Outstanding letter of credit	71,243	136,894

8. CASH GENERATED FROM OPERATIONS

	Note	August 31, 2012	August 31, 2011
(Rupees in '000)			
Profit before taxation		202,586	243,554
Adjustments for non-cash charges and other items:			
Net increase in reserve for equity-settled share-based payment plans		244	63
Depreciation		20,764	21,163
Net provision for slow moving and obsolete stock		15,857	34,398
Short term deposits written off		-	1,339
Reversal of provision of doubtful debts		-	(2,693)
Decrease in provision for potential expired stock claims		-	(4,815)
Gain on disposal of property, plant and equipment		(5,950)	(1,154)
Profit on deposit accounts		(2,040)	(22,981)
Working capital changes	8.1	(30,545)	(320,695)
		200,916	(51,821)
8.1 Working capital changes			
(Increase) / decrease in current assets:			
Spares		(432)	(14)
Stock-in-trade		(161,198)	(499,997)
Trade debts		(15,990)	40,375
Loans and advances		(43,620)	(6,165)
Deposits and prepayments		(6,263)	2,053
Other receivables		(6,237)	(9,479)
		(233,740)	(473,227)
Increase / (decrease) in current liabilities:			
Trade and other payables		203,195	152,532
		(30,545)	(320,695)

9. 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 nine months period ended		For the three months period ended	
	August 31, 2012	August 31, 2011	August 31, 2012	August 31, 2011
----- (Rupees in '000) -----				
Net sales	92,923	110,167	31,178	33,828
Cost of sales	63,922	70,083	21,670	20,872
Gross profit	29,001	40,084	9,508	12,956
Selling, marketing and distribution expenses	30,814	17,530	14,366	3,407
Administrative expenses	2,100	2,981	299	804
	32,914	20,511	14,665	4,211
	(3,913)	19,573	(5,157)	8,745
Other operating income	-	-	-	-
Other operating expenses	-	1,433	(86)	685
	-	(1,433)	86	(685)
Operating (loss) / profit	(3,913)	18,140	(5,071)	8,060
(Loss)/profit before taxation	(3,913)	18,140	(5,071)	8,060
Taxation				
Current-for the period	1,473	678	265	-
-for prior years	-	-	-	-
Deferred	-	-	-	-
	1,473	678	265	-
(Loss) / profit after tax	(5,386)	17,462	(5,336)	8,060

Following is the breakup of cash flows from discontinued operations:

Operating cash (outflows) / inflows	(10,566)	47,826
Investing cash flows	-	-
Financing cash flows	-	-
Net cash (outflows) / inflows	(10,566)	47,826

As of August 31, 2012, stock-in-trade of Nutrition business amounts to Rs. 75.319 million and the related creditors amount to Rs. 14.565 million.

10. 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:

	For the nine months period ended	
	August 31, 2012	August 31, 2011
	(Rupees in '000)	
Transactions		
Sale of goods to associated companies / transfer of inventory to associated companies	154,792	105,886
Goods purchased / transfer of inventory from associated companies	520,277	328,689
Services from associated undertakings	64,617	39,205
Repayment of loan and interest to associated company	50,696	-
Dividend to the parent company	41,001	10,250
Contribution to retirement benefit funds	5,827	5,632
Remuneration of key management personnel	3,405	2,794
	August 31, 2012	November 30, 2011
	(Rupees in '000)	
Balances		
Payable to retirement benefit funds - net	14,989	4,470

11. 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 nine months period ended August 31, 2011.

12. DATE OF AUTHORISATION FOR ISSUE

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



Abdul Majeed
Chief Executive



S. M. Wajeehuddin
Director