

# Wyeth

Leading the Way to  
a Healthier World

Financial Statements for the  
Six Months period ended  
June 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 second quarter and six months ended June 30, 2009.

During the quarter, Mr. Maqbool H.H. Rahimtoola (Nominee of N.I.T.) joined the Board on May 13, 2009 in place of Mr. Behram Hasan (Nominee of N.I.T.) who resigned on April 25, 2009. The Board of Directors welcome the new Director on the Board.

### **FINANCIAL RESULTS**

The company's total net sales for the quarter have declined by 6.9% over same period last year. Domestic sales decreased by 8%, whereas export sales increased by 22.6% over same quarter last year. Domestic sales are lower mainly due to lower market off take and non-availability of a product. The gross profit as a percent of net sales for the quarter has declined from 25.7% to 16.7% mainly because of increase in cost of input and depreciation of Pak Rupees; we however, maintained our control on expenses which resulted in reduction of our distribution cost and administrative expenses for the quarter by 26.7% and 5.1% respectively. 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 as a result of sharp depreciation of Pak Rupees vs. US Dollar.

The company's total net sales for the six months have increased by 11%. Domestic sales have grown by 11% and export sales by 12% over same period last year. The gross profit as a percent of net sales for the six months has declined from 28.5% to 22.9% mainly due to the reasons explained above.

### **FUTURE PROSPECT**

Rupee depreciation against foreign currencies remains the main concern for the company. In view of inflation and cost increase, without across the board price adjustment of pharmaceutical products by the Government, it is very challenging to maintain the profitability of the operation in the next half of the year.

We are making vigorous efforts to increase our sales and keep our operations efficient by controlling operating expenses.

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**  
Chairman / Chief Executive

**Karachi, August 19, 2009**



**Khwaja Bakhtiar Ahmed**  
Director

**A.F. FERGUSON & CO.**

A member firm of

PRICEWATERHOUSECOOPERS 

A.F. Ferguson & Co.  
Chartered Accountants  
State Life Building No. 1-C  
I.I. Chundrigar Road, P.O. Box 4716  
Karachi-74000, Pakistan  
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## **AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION**

### **Introduction**

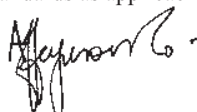
We have reviewed the accompanying condensed interim balance sheet of Wyeth Pakistan Limited as at June 30, 2009 and the related condensed interim profit and loss account, condensed interim statement of changes in equity and condensed interim cash flow statement together with the notes forming part thereof 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 the 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 included in the condensed interim profit and loss account, condensed interim statement of changes in equity and condensed interim cash flow statement for the quarters ended June 30, 2009 and June 30, 2008 have not been reviewed as we are required to review only the cumulative figures for the six months period ended June 30, 2009.

### **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, 2009 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.



**Chartered Accountants**  
**Karachi, August 19, 2009**  
**Engagement partner: Zahid. I. Bhatti**

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**CONDENSED INTERIM BALANCE SHEET  
AS AT JUNE 30, 2009 (UNAUDITED – NOTE 2)**

	Note	June 30, 2009	December 31, 2008
<b>(Rupees '000)</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	214,957	226,632
Long-term loans		12,465	9,342
Long-term deposits		1,879	1,957
		<u>229,301</u>	<u>237,931</u>
<b>CURRENT ASSETS</b>			
Spares		2,680	2,912
Stocks		903,295	756,391
Trade debts		296,134	242,804
Loans and advances		23,440	15,907
Deposits and prepayments		22,043	15,655
Interest accrued		139	2,269
Other receivables		22,698	17,860
Taxation - net		100,149	79,912
Short - term investments		-	87,000
Cash and bank balances		10,507	50,911
		<u>1,381,085</u>	<u>1,271,621</u>
		<u>1,610,386</u>	<u>1,509,552</u>
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital		142,161	142,161
Reserves		915,624	940,590
Unappropriated profit		32,014	48,101
		<u>1,089,799</u>	<u>1,130,852</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred taxation		4,677	8,065
<b>CURRENT LIABILITIES</b>			
Short-term finances under mark-up arrangements		4,222	-
Trade and other payables		511,688	370,635
<b>CONTINGENCIES AND COMMITMENTS</b>			
	5	<u>1,610,386</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




**Khwaja Bakhtiar Ahmed**  
Director

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

	For the quarter ended		For the six months period ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
	(Rupees '000)		(Rupees '000)	
Net sales	564,376	606,425	1,292,323	1,163,758
Cost of sales	474,148	450,442	995,596	831,988
Gross profit	90,228	155,983	296,727	331,770
Distribution cost	93,270	127,326	182,836	191,861
Administrative expenses	31,050	32,720	58,723	58,097
	124,320	160,046	241,559	249,958
Operating (loss) / profit	(34,092)	(4,063)	55,168	81,812
Other operating income	2,188	17,757	9,130	35,598
	(31,904)	13,694	64,298	117,410
Other operating expenses	153	20,305	8,627	32,403
Finance cost	1,157	197	1,364	456
	1,310	20,502	9,991	32,859
(Loss) / profit before taxation	(33,214)	(6,808)	54,307	84,551
Taxation				
Current - for the period	(1,588)	9,343	25,692	34,314
Deferred	(3,767)	(3,643)	(3,388)	(5,003)
	(5,355)	5,700	22,304	29,311
(Loss) / profit after taxation	(27,859)	(12,508)	32,003	55,240
	(Rupees)		(Rupees)	
Basic (loss) / earnings per share	(19.60)	(8.80)	22.51	38.86

The annexed notes 1 to 9 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, 2009 (UNAUDITED - NOTE 2)**

	Issued, subscribed and paid up share capital	Reserves		Sub total	Unappropriated profit	Total
		General reserve	Other			
(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)	-
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 reserve 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
Total income for the six months period ended June 30, 2008						54,667
Balance as 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>
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	-	-	1,286	1,286	-	1,286
Utilisation of reserves held for share- based payments	-	-	(3,262)	(3,262)	-	(3,262)
Net profit for the six months period ended June 30, 2009	-	-	-	-	32,003	32,003
Total income for the six months period ended June 30, 2009						30,027
Balance as at June 30, 2009	<u>142,161</u>	<u>911,753</u>	<u>3,871</u>	<u>915,624</u>	<u>32,014</u>	<u>1,089,799</u>

The annexed notes 1 to 9 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, 2009 (UNAUDITED - NOTE 2)

	Note	June 30, 2009	June 30, 2008
(Rupees '000)			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash (used in) / generated from operations	6	(10,957)	147,977
Profit received on deposit accounts		4,502	31,038
Increase in long-term loans		(3,123)	(2,625)
Decrease in long-term deposits		78	-
Taxes paid		(45,929)	(61,886)
Net cash (outflow) / inflow from operating activities		(55,429)	114,504
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(12,377)	(13,578)
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		(4,569)	(5,963)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash outflow from financing activities - Dividend paid		(71,628)	(141,664)
Net decrease in cash and cash equivalents		(131,626)	(33,123)
Cash and cash equivalents at the beginning of the period		137,911	771,993
Cash and cash equivalents at the end of the period		6,285	738,870

The annexed notes 1 to 9 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, 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 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, 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 June 30, 2009 and the profit and loss account, statement of changes in equity and the cash flow statement for the six months period ended June 30, 2009 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, 2009 which has not been subjected to a review or an audit.

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 six months period ended June 30, 2008, which had been subjected to a review but not audited. The comparative profit and loss account for the quarter ended June 30, 2008 is also included in these condensed interim financial statements, which has not been subjected to a review or an audit.

**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**

		<b>June 30, 2009</b>	<b>December 31, 2008</b>
	<b>Note</b>	<b>(Rupees '000)</b>	
Operating fixed assets	4.1	<b>208,267</b>	224,402
Capital work in progress		<b>6,690</b>	2,230
		<b><u>214,957</u></b>	<u>226,632</u>

## 4.1 Operating fixed assets

	Six months period ended June 30, 2009	Six months period ended June 30, 2008
	(Rupees '000)	
Additions at cost		
- buildings		
• factory on leasehold land	407	1,572
- plant and machinery	3,245	28,096
- furniture and fittings	-	306
- vehicles	4,029	7,022
- office equipment	236	1,892
	7,917	38,888
Disposals [having a net book value of Rs 5.029 million (2008: Rs 2.909 million)]	26,300	10,414

## 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 aggregates 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 (2007: 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 million) 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 contingencies for an aggregate amount of Rs 388.610 million as disclosed in notes 18.1 and 18.4 to the audited financial statements for the year ended December 31, 2008 have remained unchanged.

	June 30, 2009	December 31, 2008
	<b>(Rupees '000)</b>	
5.5 Guarantees, post dated cheques and indemnity bonds issued to the Collector of Customs against duty on imported raw materials and other guarantees	<u>13,341</u>	<u>14,559</u>
5.6 Commitments for capital expenditure	<u>9,455</u>	<u>1,038</u>
5.7 Outstanding letters of credit for imports of raw materials and finished goods	<u>40,455</u>	<u>53,239</u>
<b>6. CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES</b>		
	Note	
	Six months period ended June 30, 2009	Six months period ended June 30, 2008
	<b>(Rupees '000)</b>	
Profit before taxation	54,307	84,551
Adjustments for non-cash charges and other items:		
Net (decrease) / increase in reserve for equity-settled share-based payment	(1,976)	2,035
Depreciation	19,023	13,690
Provision for slow moving and obsolete stock	51	23,203
Gain on disposal of property, plant and equipment	(2,779)	(631)
Profit on deposit accounts	(2,372)	(29,601)
Working capital changes	6.1 (77,211)	54,730
	<u>(65,264)</u>	<u>63,426</u>
	<u>(10,957)</u>	<u>147,977</u>
6.1 Working capital changes		
(Increase) in current assets:		
Spares	232	-
Stocks	(146,955)	(99,793)
Trade debts	(53,330)	(28,758)
Loans and advances	(7,533)	(6,069)
Deposits and prepayments	(6,388)	(6,253)
Other receivables	(4,838)	381
	<u>(218,812)</u>	<u>(140,492)</u>
Increase in current liabilities:		
Trade and other payables	141,601	195,222
	<u>(77,211)</u>	<u>54,730</u>

## 7. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of the parent company (Wyeth, USA), related group companies, staff retirement benefit funds, directors, key management personnel and close members of the families of the 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:

	Six months period ended June 30, 2009	Six months period ended June 30, 2008
<b>(Rupees '000)</b>		
Sale of goods to related parties	47,643	46,331
Goods purchased from related parties	330,145	242,415
Services received from related parties	14,283	10,123
Dividend to related parties	51,252	102,503
Contribution to the gratuity fund	3,040	2,291
Contribution to the provident fund	3,685	3,388
Remuneration of key management personnel	23,284	20,302
<b>(Rupees '000)</b>		
	June 30, 2009	December 31, 2008
Receivable from the gratuity fund	61	-
Receivable from the pension fund	1,560	362
Receivable from the provident fund	27	-
Payable to the parent company	2,392	2,608
Payable to related parties	220,241	127,010

## 8. ARRANGEMENT WITH PFIZER INC.

Subsequent to the year ended December 31, 2008, Wyeth USA has entered into a definitive merger agreement with Pfizer Inc. under which Pfizer Inc. will acquire Wyeth USA in a cash and stock transaction, subject to fulfillment of certain conditions. Implementation and completion of this transaction will result in a change in the ultimate control of Wyeth Pakistan Limited.

## 9. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on **August 19, 2009** by the board of directors of the company.



**Arshad Rahim Khan**  
Chief Executive



**Khwaja Bakhtiar Ahmed**  
Director