directors' report

pattern of shareholding

as at December 31, 2009

Shareholding From	Shareholding To	Number of shareholders	Number of shares held
1	100	312	14,776
101	500	389	118,030
501	1000	86	68,285
1001	5000	72	141,269
5001	10000	11	78,791
10001	15000	1	14,000
15001	20000	3	54,228
20001	25000	2	46,742
50001	55000	1	51,442
55001	60000	1	55,896
135001	140000	1	137,200
200001	205000	1	204,099
225001	230000	1	229,461
235001	240000	1	236,364
340001	345000	1	342,602
510001	515000	1	510,212
1075001	1080000	1	1,080,000
1160001	1165000	1	1,161,894
5095001	5100000	1	5,099,469
		887	9,644,760

Shareholders category	Number of shareholders	Number of shares held	%
Associated Companies, Undertakings and Related Parties	3	6,312,805	65.45
NIT and ICP	2	465,825	4.83
Directors, CEO and their Spouses	12	1,120,002	11.61
Public Sector Companies and Corporations	2	1,284,099	13.31
Banks, Development Finance Institutions, Non-Banking Finance Institutions	1	40	-
Insurance Companies	1	19,200	0.20
Others	20	40,082	0.42
Individuals	846	402,707	4.18
	887	9,644,760	100.00

pattern of shareholding

as at December 31, 2009

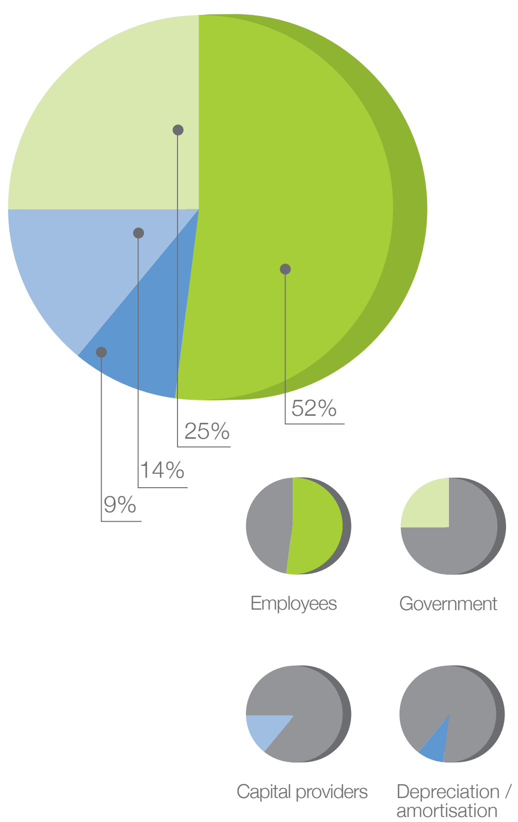
Under clause (i) of sub-regulation (XIX) of Regulation 37 of chapter (XI) of the Listing Regulations of Karachi Stock Exchange (Guarantee) Limited

Shareholder cateogry	Number of shareholders	Number of shares held
Associated Companies, Undertakings and Related Parties		
M/S Ali Gohar & Co. (Pvt) Ltd.	1	51,442
SECIPE of Paris, France	1	5,099,469
IGI Insurance Limited	1	1,161,894
NIT and ICP		
National Bank of Pakistan,Trustee Deptt.	2	465,825
Directors, CEO and their spouse and minor children		
Mr. Pir Ali Gohar	3	535,698
Mr. Arshad Ali Gohar	3	8,340
Mr. Syed Babar Ali	1	510,212
Mr. Syed Hyder Ali,	1	16,914
Mrs. Naiyar Zamani Gohar,	1	7,434
Mrs. Perwin Babar Ali,	1	22,690
Mrs. Syeda Henna Babar Ali	2	18,714
Executives	NIL	NIL
Public Sector Companies and Corporations	2	1,284,099
Banks, Development Finance Institutions, Non-Banking Finance Institutions	1	40
Modaraba and Mutual Funds	NIL	NIL
Insurance Companies	1	19,200
Shareholders holding 10% or more voting interest		
SECIPE of Paris, France	1	5,099,469
IGI Insurance Limited	1	1,161,894
National Fertilizer Corporation	1	1,080,000

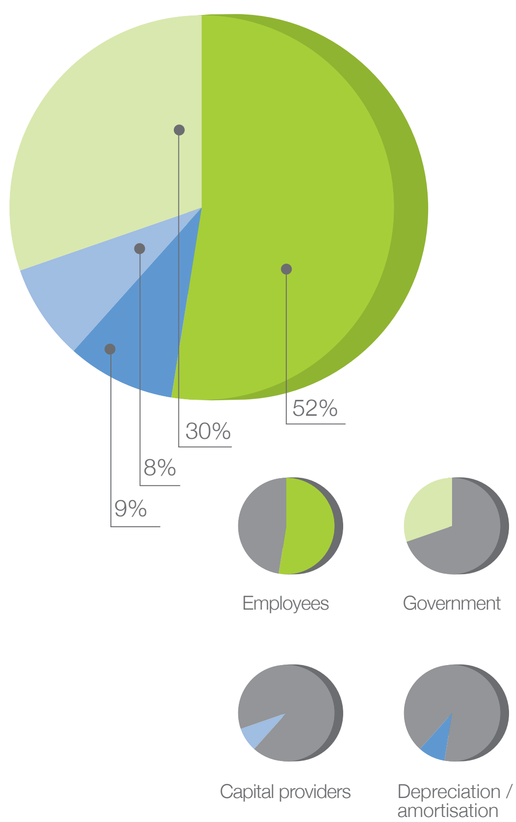
statement of value added

PARTICULARS	2009 Rs.000	%	2008 Rs.000	%
VALUE ADDED				
Net sales	6,725,708	100	4,346,528	100
Materials and services	(5,301,935)	(79)	(3,223,172)	(74)
	1,423,773	21	1,123,356	26
EMPLOYEES				
Staff Costs	713,464	51	576,292	52
Workers' Profit Participation Fund	13,708	1	4,615	-
	727,172	52	580,907	52
GOVERNMENT				
Income Tax	148,078	10	105,613	9
Custom duty & Sales Tax	217,896	15	231,357	21
Workers' Welfare Fund	5,164	-	1,726	-
	371,138	25	338,696	30
PROVIDERS OF CAPITAL				
Dividend to shareholders	67,513	5	13,503	1
Mark-up on borrowed funds	126,262	9	83,688	7
	193,775	14	97,191	8
SOCIETY				
Donation towards education, health and environment	1,845	-	430	-
Depreciation / amortisation	129,843	9	106,132	9
	1,423,773	100	1,123,356	100

Wealth Distribution 2009



Wealth Distribution 2008



horizontal analysis

	2009	Variances vs Last Year Increase/ (Decrease) %	2008	Variances vs Last Year Increase/ (Decrease) %
Operating Results (Rupees in million)				
Net sales	6,726	54.7	4,347	11.6
Cost of sales	(5,099)	54.9	(3,291)	17.0
Gross profit	1,627	54.1	1,056	(2.6)
Distribution,selling and administrative expenses	(1,201)	36.5	(880)	2.1
Other operating expenses	(143)	150.9	(57)	(9.5)
Other operating income	101	94.2	52	136.4
Operating profit	384	124.6	171	(5.5)
Finance costs	(131)	50.6	(87)	33.8
Profit before taxation	253	201.2	84	(27.6)
Taxation	(86)	87.0	(46)	12.2
Net profit	167	339.5	38	(49.3)
Balance Sheet (Rupees in million)				
Fixed assets	1,393	16.6	1,195	50.9
Other non current assets	9	(10.0)	10	(16.7)
Current assets	2,037	15.1	1,770	9.0
Non-current assets classified as available for sale	-	-	9	-
Total assets	3,439	15.2	2,984	22.9
Ordinary share capital	96	-	96	-
Reserves	1,197	17.2	1,021	0.3
Non-current liabilities	71	1.4	70	(4.1)
Current liabilities	2,075	15.5	1,797	44.8
Total equity and libilities	3,439	15.2	2,984	22.9
Cash Flows (Rupees in thousand)				
Cash generated from / (used in) operations	57,523	(84.3)	366,877	75.5
Cash flows (used in) / from operating activities	(290,735)	72.6	(168,484)	(5.9)
Cash flows used in investing activities	(245,214)	(49.6)	(486,365)	164.5
Cash flows from / (used in) financing activities	515,279	(1,319.0)	(42,271)	(81.7)
Net increase / (decrease) in cash and cash equivalents	36,853	(111.2)	(330,243)	(14.1)
Number of Employees				
Number of permanent employees at year end	773*		789	

Fair value of Fixed Assets

The fair value of Land, Building and Plant & Machinery (included within fixed assets) as at December 31, 2009 approximated to Rs. 2,240.741 million.

* These were reduced to 717 employees subsequent to the year end consequent to the VRS payments made to the empoyees of Wah manufacturing site as disclosed in note 22.1.1 to the financial statements.

2007	Variances vs Last Year Increase/ (Decrease) %	2006	Variances vs Last Year Increase/ (Decrease) %	2005	Variances vs Last Year Increase/ (Decrease) %	2004	Variances vs Last Year Increase/ (Decrease) %
3,896	2.0	3,818	10.8	3,446	8.4	3,179	9.7
(2,812)	9.3	(2,573)	12.7	(2,283)	4.1	(2,194)	7.4
1,084	(12.9)	1,245	7.1	1,163	18.1	985	15.3
(862)	9.1	(790)	17.4	(673)	23.0	(547)	(1.4)
(63)	50.0	(42)	(12.5)	(48)	9.1	(44)	51.7
22	22.2	18	-	18	12.5	16	(40.7)
181	(58.0)	431	(6.3)	460	12.2	410	38.0
(65)	(14.5)	(76)	24.6	(61)	134.6	(26)	(58.7)
116	(67.3)	355	(11.0)	399	3.9	384	64.1
(41)	(68.0)	(128)	4.1	(123)	(11.5)	(139)	75.9
75	(67.0)	227	(17.8)	276	12.7	245	58.1
792	12.8	702	11.1	632	5.7	598	34.1
12	(20.0)	15	(16.7)	18	(37.9)	29	(23.7)
1,624	27.8	1,271	(16.2)	1,517	77.0	857	(24.5)
-	-	-	-	-		-	-
2,428	22.1	1,988	(8.3)	2,167	46.0	1,484	(8.3)
96	-	96	-	96	-	96	-
1,018	(0.2)	1,020	20.7	845	47.7	572	41.2
73	386.7	15	(75.8)	62	(67.0)	188	1,609.1
1,241	44.8	857	(26.4)	1,164	85.4	628	(43.3)
2,428	22.1	1,988	(8.3)	2,167	46.0	1,484	(8.3)
209,070	(73.0)	775,187	(1,143.9)	(74,258)	(115.3)	485,134	(39.3)
(179,000)	(32.4)	(264,774)	42.6	(185,659)	(188.6)	209,465	(351.6)
(183,874)	39.2	(132,128)	47.6	(89,494)	(56.7)	(206,480)	43.5
(230,778)	(39.0)	(378,624)	(344.8)	154,660	(209.0)	(141,912)	102.6
(384,582)	113,346.0	(339)	(99.8)	(194,751)	(156.3)	346,207	(31.1)
846		847		829		779	

vertical analysis

	2009	%	2008	%
Operating Results (Rupees in million)				
Net sales	6,726	100.0	4,347	100.0
Cost of sales	(5,099)	(75.8)	(3,291)	(75.7)
Gross profit	1,627	24.2	1,056	24.3
Distribution,selling and administrative expenses	(1,201)	(17.9)	(880)	(20.2)
Other operating expenses	(143)	(2.1)	(57)	(1.3)
Other operating income	101	1.5	52	1.2
Operating profit	384	5.7	171	4.0
Finance costs	(131)	(1.9)	(87)	(2.0)
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Taxation	(86)	(1.3)	(46)	(1.1)
Net profit	167	2.5	38	0.9
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Current assets	2,037	59.2	1,770	59.3
Non-current assets classified as available for sale	-	-	9	0.3
Total assets	3,439	100.0	2,984	100.0
Ordinary share capital	96	2.8	96	3.2
Reserves	1,197	34.8	1,021	34.2
Non-current liabilities	71	2.1	70	2.3
Current liabilities	2,075	60.3	1,797	60.3
Total equity and libilities	3,439	100.0	2,984	100.0
Cash Flows (Rupees in thousand)				
Cash generated from/(used in) operations	57,523	156.1	366,877	(111.1)
Cash flows (used in) / from operating activities	(290,735)	(788.9)	(168,484)	51.0
Cash flows used in investing activities	(245,214)	(665.4)	(486,365)	147.3
Cash flows from / (used in) financing activities	515,279	1,398.2	(42,271)	12.8
Net increase / (decrease) in cash and cash equivalents	36,853	100.0	(330,243)	100.0
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* These were reduced to 717 employees subsequent to the year end consequent to the VRS payments made to the empoyees of Wah manufacturing site as disclosed in note 22.1.1 to the financial statements.

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3,896	100.0	3,818	100.0	3,446	100.0	3,179	100.0
(2,812)	(72.2)	(2,573)	(67.4)	(2,283)	(66.3)	(2,194)	(69.0)
1,084	27.8	1,245	32.6	1,163	33.7	985	31.0
(862)	(22.1)	(790)	(20.7)	(673)	(19.5)	(547)	(17.2)
(63)	(1.6)	(42)	(1.1)	(48)	(1.4)	(44)	(1.4)
22	0.6	18	0.5	18	0.5	16	0.5
181	4.7	431	11.3	460	13.3	410	12.9
(65)	(1.7)	(76)	(2.0)	(61)	(1.8)	(26)	(0.8)
116	3.0	355	9.3	399	11.5	384	12.1
(41)	(1.1)	(128)	(3.4)	(123)	(3.6)	(139)	(4.4)
75	1.9	227	5.9	276	7.9	245	7.7
792	32.6	702	35.3	632	29.2	598	40.3
12	0.5	15	0.8	18	0.8	29	2.0
1,624	66.9	1,271	63.9	1,517	70.0	857	57.7
-	-	-	-	-	-	-	-
2,428	100.0	1,988	100.0	2,167	100.0	1,484	100.0
96	4.0	96	4.8	96	4.4	96	6.5
1,018	41.9	1,020	51.3	845	39.0	572	38.5
73	3.0	15	0.8	62	2.9	188	12.7
1,241	51.1	857	43.1	1,164	53.7	628	42.3
2,428	100.0	1,988	100.0	2,167	100.0	1,484	100.0
209,070	(54.4)	775,187	(228,668.7)	(74,258)	38.1	485,134	140.1
(179,000)	46.5	(264,774)	78,104.4	(185,659)	95.3	209,465	60.5
(183,874)	47.8	(132,128)	38,975.8	(89,494)	46.0	(206,480)	(59.6)
(230,778)	60.1	(378,624)	111,688.5	154,660	(79.4)	(141,912)	(41.0)
(384,582)	100.0	(339)	100.0	(194,751)	100.0	346,207	100.0
846		847		829		779	

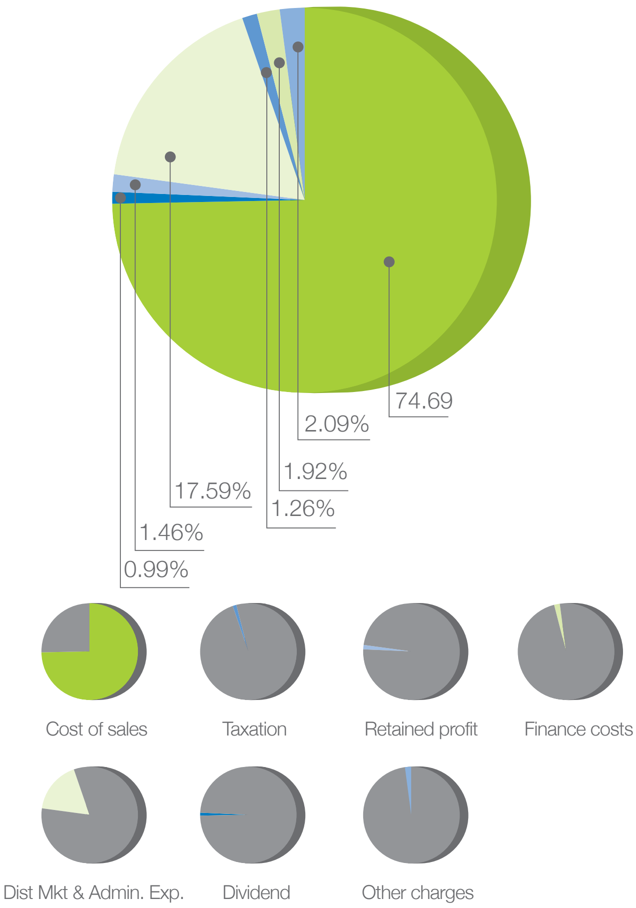
operating & financial highlights

		2004	2005	2006	2007	2008	2009
Liquidity Ratios							
Current Ratio	Times	1.4	1.3	1.5	1.3	1.0	1.0
Quick Ratio	Times	0.4	0.3	0.5	0.4	0.3	0.4
Net Working Capital	Rs. 000	229,342	352,915	413,844	382,834	(27,776)	(38,124)
Net Assets	Rs. 000	668,357	940,717	1,116,141	1,114,124	1,116,612	1,292,449
Operating Cycle	Days	28	71	86	70	57	46
Current assets / Total assets	%	57.8	70.0	63.9	66.9	59.3	59.2
Inventory / Current Assets	%	73.2	73.2	65.9	68.9	64.7	57.7
Inventory / Total Assets	%	42.3	51.2	42.1	46.1	38.4	34.2
Activity Ratios							
Inventory Turnover	Times	3.7	2.6	2.6	2.9	2.9	4.4
Average No of Days inventory in stock	Days	98	137	137	125	124	83
Accounts Receivable Turnover	Times	46.9	47.5	33.1	27.3	30.0	27.0
Average Collection Period	Days	8	8	11	13	12	14
Creditors Turnover	Times	4.7	4.9	5.8	5.3	4.6	7.1
Creditors Turnover	Days	78	74	62	68	79	51
Fixed Assets Turnover	Times	5.3	5.5	5.4	4.9	3.6	4.8
Operating Fixed Assets Turnover	Times	9.8	8.9	9.7	6.0	6.7	8.7
Total Assets Turnover	Times	2.1	1.6	1.9	1.6	1.5	2.0
Leverage							
Debt to Equity Ratio	Times	0.4	0.7	0.3	0.5	0.8	1.1
Interest Earned	Times	17.3	9.3	7.4	2.8	2.0	2.9
Fixed Assets to Equity	Times	0.9	0.7	0.6	0.7	1.1	1.1
Financial Leverage	Times	1.7	1.6	1.8	2.4	4.5	2.5
Profitability Ratios							
Sales Growth	%	9.7	8.4	10.8	2.0	11.6	54.7
COGS as a % of Net Sales	%	69.0	66.2	67.4	72.2	75.7	75.8
EBITDA*	Rs. 000	462,011	500,860	476,428	273,956	274,185	509,164
Profit before tax as a % of Net Sales	%	12.1	11.6	9.3	3.0	1.9	3.8
Net Profit Margin	%	7.7	8.0	5.9	1.9	0.9	2.5
Gross Profit Margin	%	31.0	33.8	32.6	27.8	24.3	24.2
Operating Profit Margin	%	12.8	13.0	10.8	4.6	3.9	5.7
Return on Assets	%	16.5	12.7	11.4	3.1	1.3	4.9
Return on Equity	%	36.6	29.4	20.3	6.8	3.4	12.9
Return on Capital Employed	%	43.2	28.3	28.3	10.7	8.4	14.2
Admin. Dist. & Mktg. Exp./Net Sales	%	17.2	19.5	20.7	22.1	20.2	17.9
Admin. Dist. & Mktg. Exp. Variance	%	-1.5	23.1	17.4	9.0	2.1	36.5
Financial Charges / Net Income	%	9.6	17.4	24.4	86.3	227.6	78.3
Market Value							
Market Value Per Share	Rs.	232	295	252	276	211	145
Market / Book Ratio	Times	3.3	3.0	2.2	2.4	1.8	1.1
Earnings per share (before tax)	Rs.	39.76	41.36	36.87	12.02	8.75	26.2
Earnings per share (after tax)	Rs.	25.39	28.64	23.54	7.81	3.97	17.4
Price Earning Ratio	Times	9.1	10.3	10.7	35.4	53.2	8.4
Dividend per Share	Rs.	7.50	8.70	7.10	4.40	1.40	7.00
Dividend Yield	%	3.2	2.9	2.8	1.6	0.7	4.8
Dividend Cover	Times	4.2	3.4	3.3	3.7	2.6	3.0
Payout Ratio (after tax)	%	29.5	30.4	30.2	56.4	35.3	40.3
Market Capitalisation	Rs. M	2,238	2,845	2,431	2,662	2,035	1,398
Break-up Value	Rs.	69.30	97.54	115.72	115.52	115.77	134.00

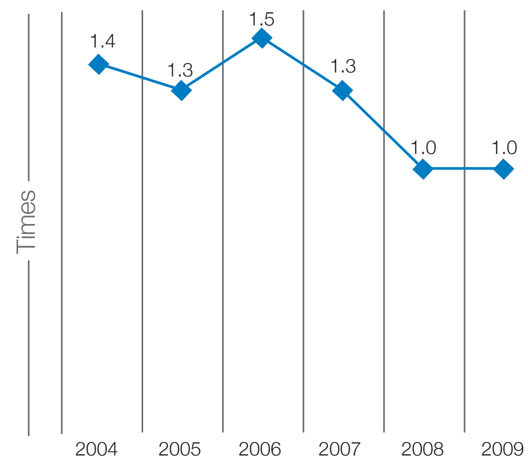
*EBITDA = Earnings before interest, taxes and depreciation & amortization

operating & financial highlights

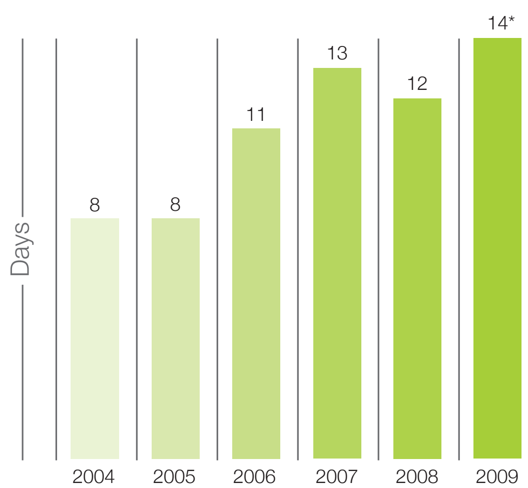
Application of revenue 2009



Current ratio

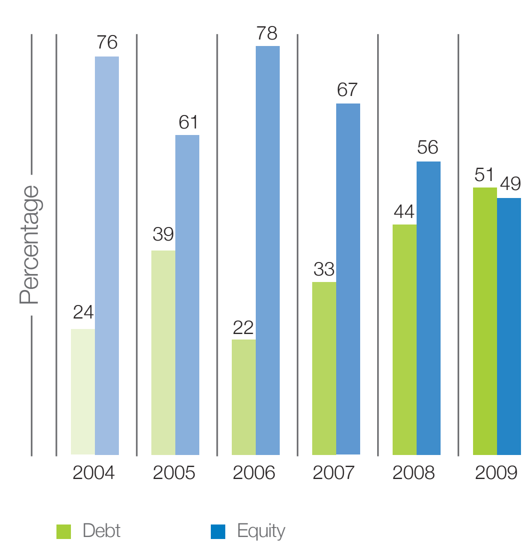


Average collection period



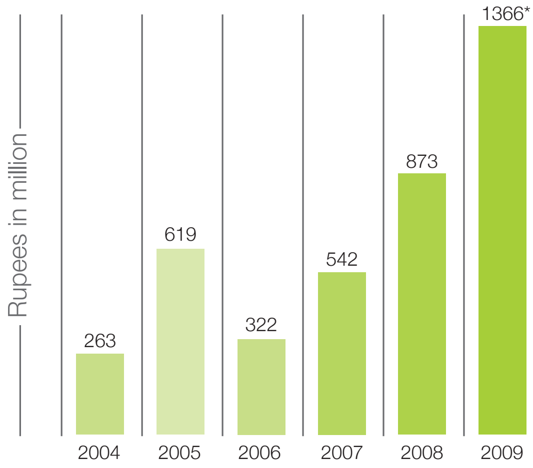
* Subsequent to the year-end an amount of Rs.214.5 million was recovered from the Government institution in respect of vaccines credit sale.

Debt to equity



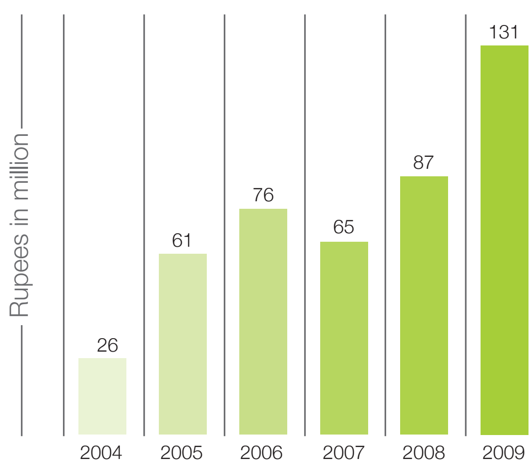
operating & financial highlights

Bank borrowings

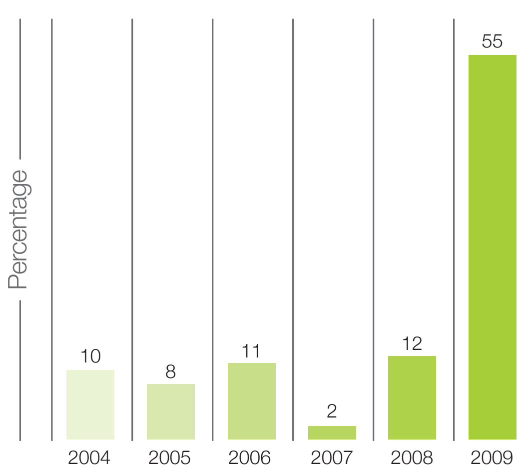


* Subsequent to the year-end borrowings were reduced by Rs.214.5 million consequent to the recovery of amount receivable from the Government institution in respect of vaccines credit sale.

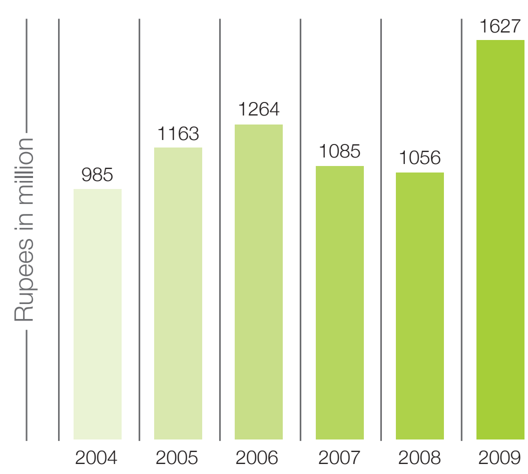
Finance costs



Sales growth

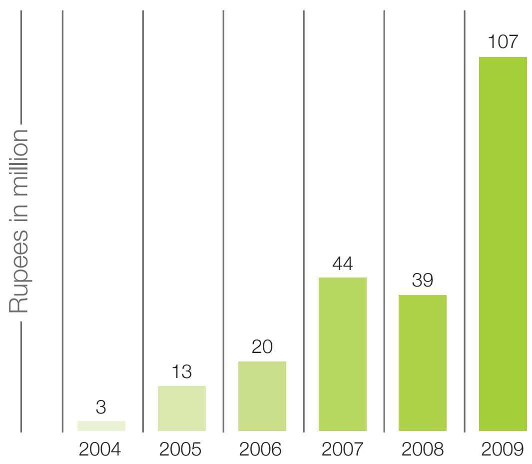


Gross profit

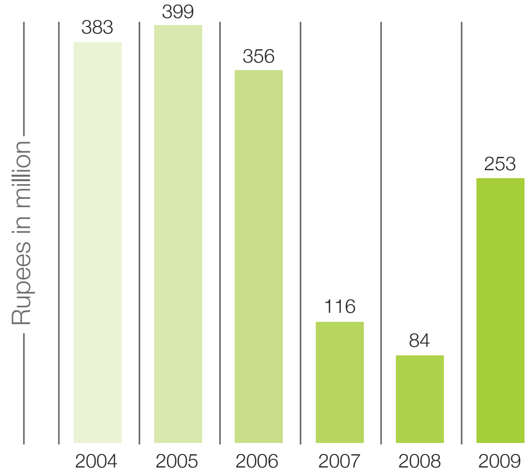


operating & financial highlights

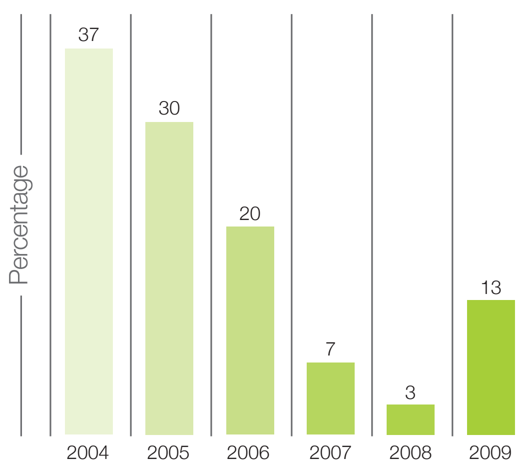
Exchange loss



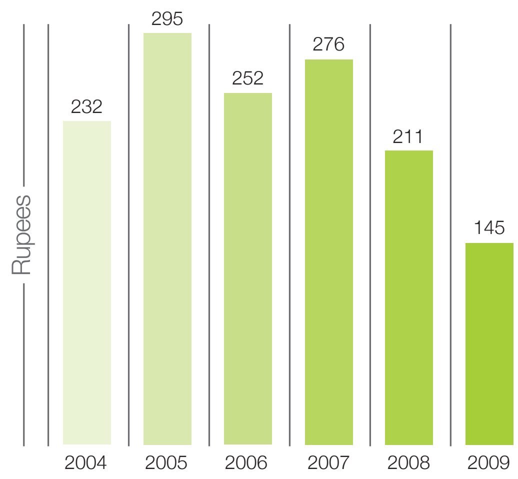
Profit before tax



Return on equity



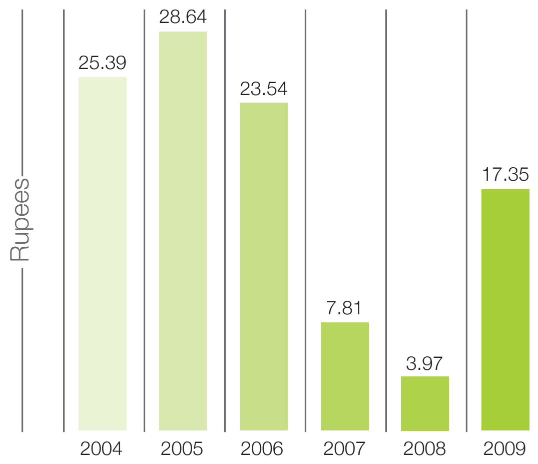
Market share price



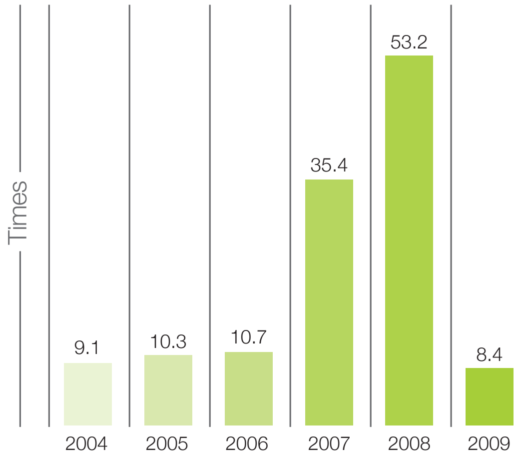
operating & financial highlights

Book value per share

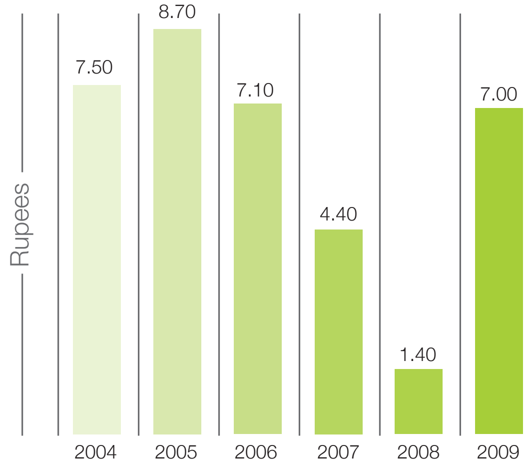
Earnings per share after tax



Price earning ratio



Dividend per share



balance sheet

as at December 31, 2009

	Note	December 31, 2009 Rs '000	December 31, 2008 Rs '000
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	3	1,393,347	1,195,249
Intangible asset	4	114	729
Long-term loans	5	3,818	6,361
Long-term deposits	6	4,609	3,325
CURRENT ASSETS			
Stores and spares	7	38,312	40,912
Stock-in-trade	8	1,136,737	1,104,944
Trade debts	9	345,808	151,951
Short-term loans and advances	10	25,865	24,188
Trade deposits and short-term prepayments	11	29,573	40,585
Other receivables	12	140,399	135,252
Taxation - payment less provision		318,225	269,802
Cash at banks	13	2,286	2,186
		2,037,205	1,769,820
NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE		-	8,871
TOTAL ASSETS		3,439,093	2,984,355
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share Capital	14	96,448	96,448
Reserves	15	1,196,001	1,020,164
		1,292,449	1,116,612
NON-CURRENT LIABILITIES			
Liability against asset subject to finance lease	16	7,233	-
Deferred taxation	17	64,082	70,147
CURRENT LIABILITIES			
Trade and other payables	18	688,329	892,998
Current maturity of liability against asset subject to finance lease		2,059	-
Accrued mark-up on short-term borrowings		19,182	32,086
Short-term borrowings	19	1,365,759	872,512
		2,075,329	1,797,596
CONTINGENCIES AND COMMITMENTS	20		
TOTAL EQUITY AND LIABILITIES		3,439,093	2,984,355

The annexed notes 1 to 37 form an integral part of these financial statements.

Syed Babar Ali
Chairman

Tariq Wajid
Chief Executive

Karachi: 11th February, 2010

profit and loss account

for the year ended December 31, 2009

	Note	December 31, 2009 Rs '000	December 31, 2008 Rs '000
NET SALES	21	6,725,708	4,346,528
Cost of sales	22	(5,099,109)	(3,290,705)
GROSS PROFIT		1,626,599	1,055,823
Distribution and marketing expenses	22	(1,048,283)	(757,135)
Administrative expenses	22	(152,707)	(122,627)
Other operating expenses	23	(142,664)	(57,392)
Other operating income	24	101,126	52,809
		(1,242,528)	(884,345)
OPERATING PROFIT		384,071	171,478
Finance costs	25	(131,012)	(87,113)
PROFIT BEFORE TAXATION		253,059	84,365
Taxation	26	(85,688)	(46,096)
NET PROFIT FOR THE YEAR		167,371	38,269
BASIC EARNINGS PER SHARE (Rs. per share)	27	17.35	3.97

The annexed notes 1 to 37 form an integral part of these financial statements.

Syed Babar Ali
Chairman

Tariq Wajid
Chief Executive

Karachi: 11th February, 2010

statement of comprehensive income

for the year ended December 31, 2009

	December 31, 2009 Rs '000	December 31, 2008 Rs '000
Net profit for the year	167,371	38,269
Other comprehensive income / (loss) for the year		
Actuarial gains / (losses) recognized directly in the equity	22,578	(966)
Deferred tax on (actuarial gains) / losses recognized directly in the equity	(7,902)	338
Total other comprehensive income / (loss) - net of tax	14,676	(628)
Total comprehensive income for the year	182,047	37,641

The annexed notes 1 to 37 form an integral part of these financial statements.

Syed Babar Ali
Chairman

Tariq Wajid
Chief Executive

Karachi: 11th February, 2010

cash flow statement

for the year ended December 31, 2009

	Note	December 31, 2009 Rs '000	December 31, 2008 Rs '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	28	57,523	366,877
Finance costs paid		(143,916)	(65,554)
Income tax paid		(148,078)	(105,613)
Long-term loans and advances (net)		2,543	2,583
Long-term deposits (net)		(1,284)	100
Net cash (used in) / generated from operating activities	29	(233,212)	198,393
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(323,181)	(534,800)
Sale proceeds from disposal of operating fixed assets		16,355	48,060
Sale proceeds from disposal of non-current assets classified as held for sale		58,500	-
Interest received		3,112	375
Net cash used in investing activities		(245,214)	(486,365)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of liability against asset subject to finance lease		(1,211)	-
Short-term loans obtained		530,000	-
Dividends paid		(13,510)	(42,271)
Net cash generated from / (used) in financing activities		515,279	(42,271)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		36,853	(330,243)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		(870,326)	(540,083)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	30	(833,473)	(870,326)

The annexed notes 1 to 37 form an integral part of these financial statements.

Syed Babar Ali
Chairman

Tariq Wajid
Chief Executive

Karachi: 11th February, 2010

statement of changes in equity

for the year ended December 31, 2009

	Issued, subscribed and paid-up share capital	Capital Reserves: Long-term liabilities forgone	Capital Reserves: Difference of share capital under scheme of arrangement for amalgamation	Capital Reserves: Other	Revenue Reserves: General reserve	Revenue Reserves: Unappropriated profit	Total
	----	----	----	Rupees in '000	----	----	----
Balance as at January 1, 2008	96,448	5,935	18,000	17,036	835,538	141,167	1,114,124
Employee benefit cost under IFRS 2 - "Share based Payment"	-	-	-	7,284	-	-	7,284
Final dividend @ Rs.4.4 per ordinary share of Rs.10 each for the year ended December 31, 2007	-	-	-	-	-	(42,437)	(42,437)
Transfer to general reserve	-	-	-	-	100,000	(100,000)	-
Net profit for the year	-	-	-	-	-	38,269	38,269
Other comprehensive loss for the year	-	-	-	-	-	(628)	(628)
Total comprehensive income for the year	-	-	-	-	-	37,641	37,641
Balance as at December 31, 2008	96,448	5,935	18,000	24,320	935,538	36,371	1,116,612
Employee benefit cost under IFRS 2 - "Share based Payment"	-	-	-	7,293	-	-	7,293
Final dividend @ Rs.1.40 per ordinary share of Rs.10 each for the year ended December 31, 2008	-	-	-	-	-	(13,503)	(13,503)
Net profit for the year	-	-	-	-	-	167,371	167,371
Other comprehensive income for the year	-	-	-	-	-	14,676	14,676
Total comprehensive income for the year	-	-	-	-	-	182,047	182,047
Balance as at December 31, 2009	96,448	5,935	18,000	31,613	935,538	204,915	1,292,449

The annexed notes 1 to 37 form an integral part of these financial statements.

Syed Babar Ali
Chairman

Tariq Wajid
Chief Executive

Karachi: 11th February, 2010

notes to the financial statements

for the year ended December 31, 2009

1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan in 1967 under the Companies Act, VII of 1913 (now The Companies Ordinance, 1984), as a Public Limited Company. The shares of the Company are listed on Karachi, Lahore and Islamabad Stock Exchanges. It is engaged in the manufacturing and selling of pharmaceutical products.

The registered office of the Company is located at Plot 23, Sector 22, Korangi Industrial Area, Karachi.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of preparation

These financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies herein below.

2.3 Significant accounting judgments and estimates

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

The matters involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

(i) Property, plant and equipment

The Company reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. In making these estimates, Company uses the technical resources available with the Company. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with corresponding effects on the depreciation charge and impairment.

(ii) Provision for doubtful debts and stocks

The Company has used judgments, based on the history of the transactions, for making provisions for the doubtful debts whereas provision for stocks is based on the current market conditions. Management believes that the changes in the outcome of estimates will not have significant effect on the financial statements.

notes to the financial statements
for the year ended December 31, 2009

(iii) Post retirement benefits

The Company has post retirement benefit obligations, which are determined through actuarial valuations using various assumptions as disclosed in note 12.3. Management believes that the changes in assumptions will not have significant effect on the financial statements.

iv) Share based compensation plans

The Company has share-based transactions involving group companies shares accounted for using various assumptions as disclosed in note 15.1 below. Management believes that the changes in assumptions will not have significant effect on the financial statements.

(v) Taxation

The Company takes into account the current income tax laws and decisions taken by appellate authorities while recognizing provision for income tax. The amounts have not been provided for matters, disclosed in note 20.1(c), where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that the matters in appeals will be decided in favour of the Company. Management believes that if the final outcome of the cases differs from the management's assessment, such differences will impact the income tax provision in the period in which such determination is made.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future event that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

There have been no critical judgments made by the Company's management in applying the accounting policies that would have a significant effect on the amounts recognised in the financial statements.

2.4 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective date (accounting periods beginning on or after)
IAS 27 - Consolidated and Separate Financial Statements (Amendment)	July 1, 2009
IAS 39 - Financial Instruments: Recognition and measurement: Eligible hedged items (Amendment)	July 1, 2009

notes to the financial statements

for the year ended December 31, 2009

Standard or Interpretation	Effective date (accounting periods beginning on or after)
IFRS 2 - Share-based Payments: Amendments relating to Group Cash-Share-based Payment Transactions	January 1, 2010
IFRS 3 - Business Combinations (Revised)	July 1, 2009
IFRIC 17 - Distributions of Non-cash Assets to owners	July 1, 2009
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not materially affect the Company's financial statements in the period of initial application.

In addition to the above, amendments to various accounting standards have also been issued by the IASB as a result of its annual improvement project in April 2009. Such improvements are generally effective for accounting periods beginning on or after January 1, 2010. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

2.5 Changes in accounting policies and disclosures as a result of adoption of new and amended accounting standards

During the current year, the Company has adopted the following new and amended IFRSs as of January 01, 2009, which has resulted in extended presentation and disclosure changes as described below:

IAS 1 - Presentation of Financial Statements (Revised)
IAS 23 - Borrowings Costs (Revised)
IFRS 7 - Financial Instruments: Disclosures

IAS 1 - "Presentation of Financial Statements"

The revised IAS 1 was issued in September 2007 and became effective for financial years beginning on or after January 01, 2009. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard has introduced the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements. Accordingly, the Company has added a separate statement of comprehensive income in these financial statements. Comparative information has also been re-presented to bring it in conformity with the revised standard.

The revised IAS 1 also requires that when the entity applies an accounting policy retrospectively or makes retrospective statement or reclassifies items in the financial statements, it should present a restated financial position (balance sheet) as at beginning of comparative period in addition to the current requirement of presenting the balance sheet as at the end of the current and the comparative period.

notes to the financial statements
for the year ended December 31, 2009

As the change in accounting policy impacts only the presentation aspects, there is no impact on the earnings of the Company.

IAS 23 - "Borrowing Costs (Revised)"

The revised IAS 23 was issued in April 2007 and became effective for accounting periods beginning on or after January 01, 2009. The revised standard requires capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The Company's previous policy was to expense out borrowing costs as they were incurred. In accordance with the transitional provision of the amended IAS 23, the Company has adopted the standard on a prospective basis. Therefore, borrowing costs are capitalized on qualifying assets with a commencement date on or after January 1, 2009. However, the change in accounting policy had no impact on the earnings of the Company during the year ended December 31, 2009 as there were no eligible qualifying assets or attributable borrowing costs.

IFRS 7 - "Financial Instruments: Disclosures"

IFRS 7 requires extensive disclosures about the significance of financial instruments for an entity's financial position and results of operations, and qualitative and quantitative disclosures on the nature and extent of risks arising from financial instruments. It combines disclosure requirements from IAS-32, 'Financial Instruments: Presentation', and IAS-30, 'Disclosures in the Financial Statements of Banks and Similar Financial Institutions', and also adds new disclosure requirements. Adoption of this IFRS has resulted in additional disclosures which have been included in the relevant notes to the financial statements and, accordingly, there is no impact on the earnings of the Company.

2.6 Standards or interpretations effective in 2009 but not relevant to the Company

The following standards and interpretations are effective for financial periods beginning on or after January 1, 2009 but are either not relevant or do not have any effect / material effect on the financial statements of the Company:

IAS 29 -	Financial Reporting in Hyperinflationary Economies
IAS 32 -	Financial Instruments: Presentation - Amendments regarding Puttable Financial Instruments
IFRS 2 -	Share Based Payment - Amendments regarding Vesting Conditions and Cancellations
IFRS 8 -	Operating Segments
IFRIC 12 -	Service concession arrangements
IFRIC 13 -	Customer loyalty programs
IFRIC 14 - IAS 19 -	The limit on defined benefit asset, minimum funding requirement and their interactions
IFRIC 15 -	Agreements for the Construction of Real Estate
IFRIC 16 -	Hedges of a Net Investment in a Foreign Operation

2.7 Property, plant and equipment

(i) Operating fixed assets

These are stated at cost less accumulated depreciation, except for freehold land and capital work-in-progress, which are stated at cost.

notes to the financial statements
for the year ended December 31, 2009

Cost of leasehold land is amortised over the period of the lease. Depreciation on all other assets is charged to profit and loss account applying the straight-line method whereby the cost of an asset less residual value, if not insignificant, is written off over its estimated useful life. The rates used are stated in note 3.1 to the financial statements.

In respect of additions depreciation is charged from the month in which asset is put to use and on disposal up to the month the asset is in use. Additional depreciation at the rate of fifty percent of the normal rate is charged on such machinery which is operated on double shift during the year.

The assets' residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end. The effect of any adjustment to residual values, useful lives and methods is recognised prospectively as a change of accounting estimate.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The Company accounts for impairment by reducing its carrying value to the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit and loss account in the year the asset is derecognised.

Subsequent costs are not recognised as assets unless it is probable that future economic benefits associated with these costs will flow to the Company and the cost can be measured reliably.

Maintenance and normal repairs are charged to profit and loss account as and when incurred.

(ii) Capital work-in-progress

Capital work-in-progress is stated at cost less impairment in value, if any. It consists of expenditure incurred and advances made in respect of tangible fixed assets in the course of their construction and installation.

2.8 Intangible asset - computer software

Computer software licenses acquired by the Company are stated at cost less accumulated amortization. Cost represents the cost incurred to acquire the software licenses and bring them to use. The cost of computer software is amortised over the estimated useful life as disclosed in note 4 to the financial statements.

The useful lives of intangible assets are reviewed at each reporting date. The effect of any adjustment to useful lives is recognised prospectively as a change of accounting estimate.

Cost associated with maintaining computer software's are charged to profit and loss account.

2.9 Long term loans and deposits

Long term loans and deposits are stated at cost less an allowance for uncollectible amounts, if any.

2.10 Stores and spares

These are valued at cost less provision for slow moving and obsolete stores and spares. Cost is determined on moving average basis except for the stores and spares in transit, which are stated at invoice price plus other charges incurred thereon up to the balance sheet date. Value of items are reviewed at each balance sheet date to record provision for any slow moving items, where necessary.

notes to the financial statements
for the year ended December 31, 2009

2.11 Stock-in-trade

These are valued at lower of cost and net realisable value. Goods in transit are valued at cost, comprising invoice values plus other charges incurred thereon accumulated to the balance sheet date. Cost signifies standard costs adjusted by variances.

Cost in relation to work-in-process and finished goods represent direct cost of materials, direct wages and appropriate manufacturing overheads.

Net realisable value signifies the estimated selling price in the ordinary course of business less estimated costs necessarily to be incurred to make the sale. Provision is made for slow moving and expired stock where necessary.

2.12 Trade debts and other receivables

These are recognised and carried at original invoice amount, being the fair value, less an allowance for any uncollectible amounts, if any. An estimate for doubtful debts is made when collection is no longer probable. Bad debts are written-off when identified.

2.13 Employees benefits

Defined benefit plans

The Company operates an approved funded gratuity scheme and an approved funded non-contributory pension scheme in respect of all permanent employees and senior management staff respectively excluding expatriates. The schemes define the amounts of benefit that an employee will receive on or after retirement subject to a minimum qualifying period of service under the schemes.

The amounts of retirement benefits are usually dependent on one or more factors such as age, years of service and salary.

The liabilities recognized in respect of gratuity and pension schemes are the present values of the defined benefit obligations under each scheme at the balance sheet date less the fair value of respective plan assets.

The gratuity and pension obligations are calculated annually by independent actuaries using the Projected Unit Credit Method. The most recent valuation in this regard was carried out as at December 31, 2009. The present values of the obligations are determined by discounting the estimated future cash outflows using interest rates of high quality government securities that have terms to maturity approximating to the terms of the related obligations.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly in equity in the statement of recognized income and expenses in the period in which they arise.

Defined contribution plan

The Company also operates a recognized provident fund scheme for all permanent employees excluding expatriates. Equal monthly contributions are made, both by the Company and the employees, to the fund at the rate of 10 percent of basic salary.

2.14 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any, and under the final tax regime. The tax charge as calculated above is compared with turnover tax under Section 113 of the Income Tax Ordinance, 2001, and whichever is higher is provided in the financial statements.

notes to the financial statements
for the year ended December 31, 2009

Deferred

Deferred tax is recognized using the liability method, on all major temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognized for all deductible temporary differences and carry-forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and / or carry-forward of unused tax losses can be utilized.

The carrying amount of all deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is charged or credited in the profit and loss account except for deferred tax arising on recognition of actuarial loss or gain which is charged or directly credited to equity in the statement of comprehensive income.

2.15 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, balances with banks on current and deposit account and outstanding balance of running finance facilities availed by the Company.

2.16 Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect of the estimated future cash flows of that asset.

(ii) Non-Financial assets

Carrying value of non-financial assets other than inventories and deferred tax assets are assessed at each reporting date to determine whether there is any indication of impairment. If any such indications exist, then the recoverable amount is estimated. An impairment loss is recognized, as an expense in the profit and loss account, for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is determined through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and risks specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

2.17 Non-current assets classified as held for sale

Non-current assets are classified as held for sale if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. These assets are available for sale in their present condition subject only to terms that are usual and customary for sales of such assets and their sale is highly probable.

The Company measures its non-current assets classified as held for sale at the lower of carrying amount and fair value less costs to sell. Costs to sell signify the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

notes to the financial statements

for the year ended December 31, 2009

2.18 Leases

(i) Finance leases

Leases that transfer substantially all the risks and rewards incidental to ownership of an asset are classified as finance leases. Assets on finance lease are capitalized at the commencement of the lease term of the lower of fair value of leased assets and the presently value of minimum lease payment, each determined at the inception of the lease. Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the finance balance outstanding. The finance cost is charged to profit and loss account and is included under finance costs. The assets acquired under finance lease are depreciated over the shorter of the useful life of the asset or the lease term.

(ii) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit and loss on a straight line basis over the period of the lease.

2.19 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

2.20 Compensated absences

The Company provides for compensated absences of its employees on unavailed leave balances in the period in which the leave is earned on the basis of accumulated leaves and the last drawn pay.

2.21 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

2.22 Foreign currency translation

The financial statements are presented in Pak Rupee, which is the Company's functional and presentation currency. Foreign currency transactions during the year are recorded at the exchange rates approximating those ruling on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange which approximate those prevailing on the balance sheet date. Gains and losses on translation are taken to income currently. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.23 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred and are subsequently measured at amortized cost using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional/contractual right to defer settlement of the liability for atleast twelve months after the balance sheet date.

notes to the financial statements
for the year ended December 31, 2009

2.24 Revenue recognition

- Sales and toll manufacturing income are recorded on despatch of goods;
- Return on deposits is recognised on accrual basis; and
- License fee is recognised on accrual basis.

2.25 Borrowing Cost

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalize as part of the cost of the respective assets. All other borrowing costs are expense out in the period they occur. Borrowing costs consist of interest and other cost that an entity incurs in connection with the borrowing of funds.

The Company capitalizes borrowing costs for all eligible assets where construction commenced on or after January 01, 2009.

2.26 Financial Instruments

All the financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised at the time when the Company loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognised at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gains or losses on derecognition of financial assets and financial liabilities are taken to profit and loss account currently.

2.27 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each reporting date. The Company enters into derivative transactions mainly to hedge foreign currency liabilities or firm commitments and these are designated as fair value hedge.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit and loss account, together with any changes in the fair value of the hedged liability that are attributable to the hedged risk.

2.28 Off-setting of financial instruments

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.29 Dividends and appropriation to general reserve

Dividend distribution to the Company's shareholders and appropriation to general reserve are recognized in the financial statements in the period in which these are approved by the Company shareholders.

2.30 Share based compensation

The economic cost of awarding shares of Group Companies to employees is reflected by recording a charge in the profit and loss account, equivalent to the fair value of shares on the grant date over the vesting period, with a corresponding reserve created to reflect the equity component.

notes to the financial statements

for the year ended December 31, 2009

	Note	December 31, 2009 Rs '000	December 31, 2008 Rs '000
3. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	3.1	774,373	644,858
Capital work-in-progress	3.2	618,974	550,391
		1,393,347	1,195,249

3.1 Operating fixed assets

	Land		Building on					Motor vehicles		
	Freehold	Leasehold (note 3.1.1)	Freehold land	Leasehold land	Plant & machinery	Furniture & fixtures	Factory & office equipment	Owned	Held under finance lease	Total
	Rupees in '000									
NET CARRYING VALUE BASIS										
Year ended December 31, 2009										
Opening net book value	149	345	5,388	339,127	191,609	15,497	36,307	56,436	-	644,858
Total additions	-	-	-	40,629	148,322	2,526	19,390	43,731	10,503	265,101
Disposals	-	-	-	-	(571)	(10)	(2,410)	(3,367)	-	(6,358)
Depreciation charge	-	(6)	(1,453)	(22,122)	(68,679)	(2,369)	(14,376)	(18,998)	(1,225)	(129,228)
Closing net book value	149	339	3,935	357,634	270,681	15,644	38,911	77,802	9,278	774,373
GROSS CARRYING VALUE BASIS										
As at December 31, 2009										
Cost	149	480	40,953	507,589	932,556	27,677	149,109	110,892	10,503	1,779,908
Accumulated depreciation	-	(141)	(37,018)	(149,955)	(661,875)	(12,033)	(110,198)	(33,090)	(1,225)	(1,005,535)
Net book value	149	339	3,935	357,634	270,681	15,644	38,911	77,802	9,278	774,373
NET CARRYING VALUE BASIS										
Year ended December 31, 2008										
Opening net book value	8,350	350	7,519	331,367	212,648	17,554	37,257	31,867	-	646,912
Additions	-	-	-	32,339	37,374	176	12,327	45,905	-	128,121
Disposals	-	-	-	(4,441)	(2,141)	-	(102)	(9,143)	-	(15,827)
Transfer to non-current assets classified as held-for-sale	(8,201)	-	(670)	-	-	-	-	-	-	(8,871)
Depreciation charge	-	(5)	(1,461)	(20,138)	(56,272)	(2,233)	(13,175)	(12,193)	-	(105,477)
Closing net book value	149	345	5,388	339,127	191,609	15,497	36,307	56,436	-	644,858
GROSS CARRYING VALUE BASIS										
As at December 31, 2008										
Cost	149	480	40,953	466,960	789,115	25,304	140,800	78,367	-	1,542,128
Accumulated depreciation	-	(135)	(35,565)	(127,833)	(597,506)	(9,807)	(104,493)	(21,931)	-	(897,270)
Net book value	149	345	5,388	339,127	191,609	15,497	36,307	56,436	-	644,858
Depreciation rate % per annum	-	1.23	5	5	10	10	7-33	20	20	

notes to the financial statements

for the year ended December 31, 2009

3.1.1 The Company has granted two exclusive licences to Bayer Crop Science (Private) Limited, Karachi, a related party, for the use of the land for a period of 20 years, commencing April 12, 1997 and October 1, 1997, respectively. The fee for each licence for the first three years was Rs.2.60 million and Rs.0.82 million, respectively. Thereafter, the fee is being enhanced every year on the anniversary of the agreements on the basis of the rate of inflation in Pakistan calculated on a twelve months moving average in the official Consumer Price Index published prior to the relevant anniversary of the agreement.

3.1.2 The details of operating fixed assets disposed off, having a net book value in excess of Rs.50,000 each, are as follows:

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of buyers
	-----------------------(Rupees in '000)			---------------------		
Vehicles	687	46	641	1,675	Company Policy	Tariq Wajid (Managing Director) 65/II Khayaban-e-Bukhari, Phase VI, DHA, Karachi.
	529	88	441	460	Insurance Claim	International General Insurance, Ltd. D-32, Block-2 Kehkashan, Clifton, Karachi.
	526	158	368	470	Company Policy	Ghufran Akhtar (Employee) B-58, Block 13, Gulistan-E-Jauhar, Karachi.
	504	202	302	400	--do--	Saleem Javed Dar (Ex-Employee) H. No. 8, Anwar Colony, Khojak Road, Quetta Cantt., Quetta.
	504	378	126	366	Tender Bid	Muzamil Arif E-11-Blaock 8, Gulshan-e-Iqbal, Karachi.
	504	378	126	315	Company Policy	Zubair Mahmood (Ex-Employee) 37, Farooq Pura, Old Shujabad Road, Multan.
	390	182	208	301	--do--	Sajid Ali Memon (Ex-Employee) H No. C/156, Lahori Muhalla, Larkana.
	164	3	161	675	--do--	Saira Halai (Ex-Executive) A-12, Jason VIP Apartments, Block 7, Clifton, Karachi.
	124	41	83	372	--do--	Muhammad Anas Siddiqui (Executive) Flat No.05, Rana Khalid Apartments, Salik Street, Muslim Town, Lahore.
	94	13	81	358	--do--	Syed Salman Ahmed (Executive) B-20, Lala Rukh Colony, Wah Cantt.
	94	10	84	362	--do--	Bashir Muhammad Vohra (Executive) H # 5 C, Block-F, Gulshan-e-Jamal, Railways Housing Society, Gulshan-e-Jamal, Karachi.
	94	11	83	353	--do--	Ahmed Sultan (Executive) A-21, Block - S, North Nazimabad, Karachi.
	93	11	82	354	--do--	Muhammad Yasin (Executive) R-19, Khayban-e Rizwan, Phase VII, DHA, Karachi.
	93	12	81	332	--do--	Abid Maqsood (Ex-Executive) H No. 47, Al-Abid Lane No.3, Gulistan Colony, Rawalpindi.
	85	3	82	402	--do--	Syed Zubair ul Hasan Rizvi (Executive) B-404, Rufi Lake Drive, Block - 18, Gulistan-E-Johar, Karachi.
	76	5	71	390	Insurance claim	International General Insurance, Ltd. D-32, Block-2 Kehkashan, Clifton, Karachi.
Items having book value of less than Rs.50,000 each	6,645	6,298	347	4,855	Various	Various
Balance c/f	11,206	7,839	3,367	12,440		

notes to the financial statements

for the year ended December 31, 2009

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of buyers
	-----------------------(Rupees in '000)--------------------					
Balance b/f	11,206	7,839	3,367	12,440		
Plant & Machinery	2,043	1,569	474	257	Tender Bid	Bismillah Scrap Shop Plot No 79, Sector C-35 Korangi No 4 Karachi
	260	163	97	200	Negotiation	Automation Aids 307 S.S Chamber B 76 S.I.T.E Karachi.
Items having book value of less than Rs.50,000 each	2,578	2,578	-	1,600	Negotiations	Various
	4,881	4,310	571	2,057		
Factory & Office Equipment	6,008	5,654	354	900	Tender Bid	ATCO Laboratories Ltd B/18, S.I.T.E Karachi
	2,373	475	1,898	800	--do--	Nargis Electric Store Shop No D-14 K-Area Market Korangi Industrial Area Karachi
	700	655	45	70	Company Policy	Tariq Wajid (Managing Director) 65/II Khayaban-e-Bukhari, Phase VI DHA Karachi
	565	452	113	57	--do--	M.Z Moin Mohajir (Director) 108/II/II, Khayaban-e-Hilal, D.H.A. Phase 6, Karachi
Items having book value of less than Rs.50,000 each	1,435	1,435	-	12	Various	Various
	11,081	8,671	2,410	1,839		
Furniture & Fixtures Items having book value of less than Rs.50,000 each	153	143	10	19	Negotiations	Various
	27,321	20,963	6,358	16,355		

	December 31, 2009 Rs '000	December 31, 2008 Rs '000
3.2 Capital work-in-progress		
Building on leasehold land	192,348	155,060
Plant and machinery	403,851	329,423
Others	15,370	7,836
	611,569	492,319
Advances to Contractors and Suppliers	7,405	58,072
	618,974	550,391

notes to the financial statements

for the year ended December 31, 2009

	Note	December 31, 2009 Rs '000	December 31, 2008 Rs '000
4. INTANGIBLE ASSET - computer software			
NET CARRYING VALUE BASIS			
Year ended December 31,			
Opening net book value		729	1,384
Amortization charge		(615)	(655)
Closing net book value		114	729
GROSS CARRYING VALUE BASIS			
As at December 31,			
Cost		1,965	1,965
Accumulated amortization		(1,851)	(1,236)
Net book value		114	729
Amortisation rate per annum		33%	33%
Remaining useful life in years		0.67	1.67
5. LONG-TERM LOANS			
Considered good - unsecured			
Employees	5.1	7,901	11,367
Current maturity shown under current assets	10	(4,083)	(5,006)
		3,818	6,361

5.1 Loans to employees have been given for the purchase of motor cars, motor cycles and personal expenses, in accordance with the Company's policy. Loans for the purchase of motor cars and motor cycles are interest free whereas personal loans, representing capital goods fund and housing scheme, carry mark-up / interest at the rate of 9.00% (2008: 9.00%) and 16.50% (2008: 16.50%) per annum, respectively. These are repayable within five years in equal monthly installments, except for capital goods fund which are repayable over a period of three years.

	December 31, 2009 Rs '000	December 31, 2008 Rs '000
6. LONG-TERM DEPOSITS		
Long-term deposits	4,723	3,439
Provision against deposits considered doubtful	(114)	(114)
	4,609	3,325

notes to the financial statements

for the year ended December 31, 2009

	Note	December 31, 2009 Rs '000	December 31, 2008 Rs '000
7. STORES AND SPARES			
Stores		14,805	14,906
Provision against obsolete stores		(20)	(20)
		14,785	14,886
Spares		24,697	27,196
Provision against obsolete spares		(1,170)	(1,170)
		23,527	26,026
		38,312	40,912
8. STOCK-IN-TRADE			
Raw and packing material and auxiliaries			
In hand	8.1	399,668	545,693
In transit		39,352	25,831
		439,020	571,524
Provision against slow moving raw and packing material		(3,313)	-
		435,707	571,524
Work-in-process		22,445	30,614
Finished goods			
In hand	8.2 & 8.3	697,282	519,284
In transit		19,837	14,272
		717,119	533,556
Provision against slow moving finished goods		(38,534)	(30,750)
		678,585	502,806
		1,136,737	1,104,944

8.1 This includes raw and packing material held with third parties, aggregating to Rs.4.304 (2008: Rs.4.601) million, at the end of the current year.

8.2 This includes cost of physician samples, aggregating to Rs.9.274 (2008: Rs.13.082) million, at the end of the current year.

8.3 This includes finished goods costing Rs.371.936 (2008: Rs.197.999) million, valued at their net realisable value of Rs.330.769 (2008: Rs.171.205) million.

	Note	December 31, 2009 Rs '000	December 31, 2008 Rs '000
9. TRADE DEBTS - unsecured			
Considered good			
Related parties	9.1 & 9.2	22	4,720
Others		345,786	147,231
		345,808	151,951
Considered doubtful			
Others		2,199	15,008
		348,007	166,959
Provision against debts considered doubtful	9.3	(2,199)	(15,008)
		345,808	151,951

notes to the financial statements

for the year ended December 31, 2009

	Note	December 31, 2009 Rs '000	December 31, 2008 Rs '000
9.1 This represents amounts due from the following related parties:			
Pakistan Telecommunication Company Limited		-	1,757
Packages Limited		22	13
sanofi-aventis (Thailand) limited		-	2,950
		22	4,720

9.2 The maximum amount due from related parties at the end of any month during the year was Rs.5.484 (2008: Rs.4.720) million.

9.3 During the current year, provision aggregating to Rs.14.324 million (2008: Nil) was written-off against debts considered doubtful. Further, additional provision amounting to Rs.1.515 million (2008: Nil) was made during the year against debts considered doubtful.

	Note	December 31, 2009 Rs '000	December 31, 2008 Rs '000
10. SHORT-TERM LOANS AND ADVANCES			
Considered good - unsecured			
Loans			
Current maturity of long-term loans to employees	5	4,083	5,006
Advances			
Executives	10.1	1,184	135
Employees		5,580	5,571
Contractors and Suppliers		15,018	13,476
		21,782	19,182
		25,865	24,188

10.1 The maximum aggregate amount due from Executives at the end of any month during the year was Rs.2.178 (2008: Rs.1.817) million.

	Note	December 31, 2009 Rs '000	December 31, 2008 Rs '000
11. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS			
Trade deposits			
Tender deposits		16,123	22,297
Margin against letters of credit		2,962	10,634
		19,085	32,931
Provision against tender deposits considered doubtful	11.1	(641)	(2,284)
		18,444	30,647
Short-term prepayments		11,129	9,938
		29,573	40,585

notes to the financial statements

for the year ended December 31, 2009

11.1 During the current year, provision aggregating to Rs.1.643 million (2008: Nil) was written-off against tender deposits considered doubtful.

	Note	December 31, 2009 Rs '000	December 31, 2008 Rs '000
12. OTHER RECEIVABLES			
Due from related parties	12.1 & 12.2	53,476	33,969
Employees' Pension Fund	12.3	74,478	77,547
Employees' Gratuity Fund	12.3	6,235	-
Insurance claim	12.6	45	23,335
Amounts due from ex-employees		2,464	2,522
Provision against loans due from ex-employees	12.7	(2,464)	(2,522)
		-	-
Sales tax refundable		7,541	1,623
Provision against sales tax refundable considered doubtful		(1,623)	(1,623)
		5,918	-
Miscellaneous		247	401
		140,399	135,252

12.1 This represents reimbursements due from the following related parties:

	2009 Rs '000	2008 Rs '000
AGP (Private) Limited	-	1,088
Bayer CropScience (Private) Limited	1,212	552
Sanofi Aventis Group	4,840	-
Sanofi Winthrop Industries	-	32,329
Sanofi Aventis Pasteur SA	47,424	-
	53,476	33,969

12.2 The maximum amount due from related parties at the end of any month during the year was Rs.128.961 (2008: Rs.62.976) million.

12.3 The status of the funds and principal assumptions used in the actuarial valuation as of December 31, 2009 were as follows:

	Pension Fund 2009 Rs '000	Pension Fund 2008 Rs '000	Gratuity Fund 2009 Rs '000	Gratuity Fund 2008 Rs '000
Balance sheet reconciliation as at December 31,				
Present value of defined benefit obligation	(177,316)	(177,919)	(165,756)	(171,279)
Fair value of plan assets	251,794	255,466	171,991	166,410
Net assets / (liability) in balance sheet	74,478	77,547	6,235	(4,869)

notes to the financial statements

for the year ended December 31, 2009

	Pension Fund 2009 Rs '000	Pension Fund 2008 Rs '000	Gratuity Fund 2009 Rs '000	Gratuity Fund 2008 Rs '000
Movement in asset / (liability)				
Prepayment as at January 1,	77,547	75,449	(4,869)	6,895
(Charge) / Credit for the year	(1,302)	967	(13,241)	(9,667)
Contribution during the year	-	-	-	-
Actuarial (loss) / gain recognized in equity	(1,767)	1,131	24,345	(2,097)
Prepayment / (liability) as at December 31,	74,478	77,547	6,235	(4,869)
Expense / (Credit) recognized				
Service cost	8,020	6,955	12,334	10,898
Interest cost	23,130	16,611	22,266	14,393
Expected return on plan assets	(33,211)	(24,533)	(21,633)	(15,624)
Curtailment loss recognized	3,363	-	274	-
	1,302	(967)	13,241	9,667
Actual return on plan assets	31,523	25,518	31,001	20,731
Movement in the defined benefit Obligation				
Obligation as at January 1,	177,919	161,452	171,279	144,111
Service cost	8,020	6,955	12,334	10,898
Interest cost	23,130	16,611	22,266	14,393
Benefits paid	(35,195)	(6,953)	(25,420)	(5,327)
Actuarial loss / (gain)	79	(146)	(14,977)	7,204
Plan curtailments	3,363	-	274	-
Obligation as at December, 31	177,316	177,919	165,756	171,279
Movement in fair value of plan assets				
Fair value as at January 1,	255,466	236,901	166,410	151,006
Expected return on plan assets	33,211	24,533	21,633	15,624
Employer contributions	-	-	-	-
Benefits paid	(35,195)	(6,953)	(25,420)	(5,327)
Actuarial gain / (loss)	(1,688)	985	9,368	5,107
Fair value as at December 31,	251,794	255,466	171,991	166,410
Key actuarial assumptions used are as follows:				
Discount factor used	13.5%	13.0%	13.5%	13.0%
Expected rate of returns per annum on plan assets	13.0%	13.0%	13.0%	13.0%
Expected rate of increase in future salaries per annum	13.0%	12.5%	13.0%	12.5%
Indexation of pension	7.5%	8.5%	-	-
Retirement age (years)	58 yrs	58 yrs	58 yrs	58 yrs

notes to the financial statements

for the year ended December 31, 2009

	2009 Rs '000	2009 %	2008 Rs '000	2008 %
Plan assets comprise of:				
Funded pension plan				
Debt	190,703	75.74	89,413	35.00
Equity	42,871	17.02	98,866	38.70
Others (includes cash and bank balances)	18,220	7.24	67,187	26.30
	251,794	100.00	255,466	100.00
Funded gratuity plan				
Debt	147,314	85.65	101,510	61.00
Equity	19,294	11.22	42,718	25.67
Others (includes cash and bank balances)	5,383	3.13	22,182	13.33
	171,991	100.00	166,410	100.00

Comparison for five years:

	2009 Rs '000	2008 Rs '000	2007 Rs '000	2006 Rs '000	2005 Rs '000
Funded pension plan					
Present value of defined benefit obligation	(177,316)	(177,919)	(161,452)	(151,813)	(145,345)
Fair value of plan assets	251,794	255,466	236,901	214,616	194,352
Surplus	74,478	77,547	75,449	62,803	49,007
Experience adjustment					
Actuarial gain / (loss) on obligation	(79)	146	2,999	6,474	864
Actuarial gain / (loss) plan assets	(1,688)	985	8,467	10,513	8,889
Funded gratuity plan					
Present value of defined benefit obligation	(165,756)	(171,279)	(144,111)	(126,742)	(118,975)
Fair value of plan assets	171,991	166,410	151,006	137,641	115,955
Surplus / (deficit)	6,235	(4,869)	6,895	10,899	(3,020)
Experience adjustment					
Actuarial loss/(gain) on obligation	(14,977)	7,204	721	(9,039)	(11,158)
Actuarial gain/ (loss) on plan assets	9,368	5,107	3,528	6,288	(1,240)

12.4 The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the plan at the beginning of the period, for returns over the entire life of the related obligation.

12.5 Based on the actuarial advice, the amount of expected contribution to Gratuity and Pension Funds in 2010 will be Rs.12.191 million and negative Rs.2.0 million, respectively.

12.6 Included herein is a sum of Rs.0.045 (2008: Rs.1.416) million due from an insurance company, which is a related party.

12.7 During the current year, provision aggregating to Rs.0.058 million (2008: Nil) was written-off against loans due from ex-employees considered doubtful.

notes to the financial statements

for the year ended December 31, 2009

	Note	December 31, 2009 Rs '000	December 31, 2008 Rs '000
13. CASH AT BANKS			
In current accounts	13.1	2,286	2,186

13.1 Included herein is a sum of Rs.0.575 (2008: Rs.0.595) million, representing refundable deposits received from distributors, transporters and suppliers.

14. SHARE CAPITAL

No. of Shares December 31, 2009	No. of Shares December 31, 2008		December 31, 2009 Rs '000	December 31, 2008 Rs '000
		Authorized Share Capital		
10,000,000	10,000,000	Ordinary shares of Rs.10 each	100,000	100,000
		Issued, subscribed and paid up capital		
2,757,783	2,757,783	Ordinary shares of Rs.10 each fully paid in cash	27,578	27,578
		Ordinary shares of Rs.10 each issued as fully paid for consideration other then cash:		
687,500	687,500	- against plant and equipment	6,875	6,875
140,000	140,000	- against loan	1,400	1,400
2,700,000	2,700,000	- in exchange for 450,000 Ordinary shares of Rs.10 each of former Rhone Poulenc Rorer Pakistan (Private) Limited	27,000	27,000
3,527,500	3,527,500		35,275	35,275
3,359,477	3,359,477	Ordinary shares of Rs.10 each issued as fully paid bonus shares	33,595	33,595
9,644,760	9,644,760		96,448	96,448

SECIPE (a wholly owned subsidiary of sanofi-aventis S.A) held 5,099,469 (2008: 5,099,469) Ordinary shares of Rs.10 each, aggregating to Rs.50,994,690, constituting 52.88% of issued share capital of the Company, at the end of the current year. The ultimate parent of the group is sanofi-aventis S.A.

	Note	December 31, 2009 Rs '000	December 31, 2008 Rs '000
15. RESERVES			
Capital reserves			
Long-term liabilities forgone		5,935	5,935
Difference of share capital under scheme of arrangement for amalgamation		18,000	18,000
Others	15.1	31,613	24,320
		55,548	48,255
Revenue reserves			
General reserve		935,538	935,538
Unappropriated profit		204,915	36,371
		1,140,453	971,909
		1,196,001	1,020,164

notes to the financial statements
for the year ended December 31, 2009

15.1 Share-based compensation plans

As at December 31, 2009, the Company had following equity settled share-based compensation plans:

Stock Option Plans:

sanofi-aventis S.A., France (the "Parent Company") granted a number of equity-settled share-based payment plans (stock option plans) to some of its employees, including employees of sanofi-aventis Pakistan limited (the "Subsidiary Company"). These plans entitled the eligible employees to acquire shares of the Parent Company by exercising options granted to them, subject to the fulfillment of the vesting conditions.

In accordance with IFRS 2 (Share-Based Payment), services received from employees as consideration for stock options are recognised as an expense in the profit and loss account, with the corresponding entry recorded as equity. The expense corresponds to the fair value of the stock option plans of the shares of the Parent Company and is charged against income on a straight-line basis over the four-year vesting period of the plan.

The fair value of stock option plans is measured at the date of grant, using the Black & Scholes valuation model, taking into account the expected life of the options.

The benefit cost recognised therefore relates to rights that vested during the reporting period for all plans granted by sanofi-aventis S.A., France.

Details of the terms of exercise of stock subscription options granted under the various plans are presented below in sanofi-aventis S.A., France, share equivalents. These options have been granted to certain corporate officers and employees of the Group companies, including sanofi-aventis Pakistan limited.

The table shows stock subscription option plans granted by sanofi-aventis S.A., France to the employees of sanofi-aventis Pakistan limited and accounted for under IFRS-2, which are still outstanding.

Origin	Date of grant	Vesting Period (years)	Options granted (number)	Start date of exercise period	Expiration Date	Exercise price (€)	Options outstanding at December 31, 2009 (number)
sanofi-aventis S.A., France	31/05/2005	4	13,500	01/06/2009	31/05/2015	70.38	9,500
sanofi-aventis S.A., France	14/12/2006	4	13,300	15/12/2010	14/12/2016	66.91	10,800
sanofi-aventis S.A., France	13/12/2007	4	13,900	14/12/2011	13/12/2017	62.33	11,600
sanofi-aventis S.A., France	02/03/2009	4	7,595	04/03/2013	01/03/2019	45.09	7,595
Total			48,295				39,495

The exercise of each option will result in the issuance of one share of sanofi-aventis S.A., France.

notes to the financial statements
for the year ended December 31, 2009

Summary of stock option plans:

A summary of stock options outstanding at each balance sheet date, and of changes during the relevant periods, is presented below:

	Number of options	Weighted average exercise price per share (€)
Options outstanding at January 1, 2008	40,700	66.50
of which exercisable	-	-
Options granted	-	-
Options exercised	-	-
Options cancelled	(5,000)	(68.53)
Options forfeited	-	-
Options outstanding at December 31, 2008	35,700	66.21
of which exercisable	-	-
Options granted	7,595	45.09
Options exercised	-	-
Options cancelled	(3,800)	(65.65)
Options forfeited	-	-
Options outstanding at December 31, 2009	39,495	62.20
of which exercisable	9,500	70.38

Measurement of stock option plans

The fair value of the plan awarded in 2009 to the employees of sanofi-aventis Pakistan limited amounted to is Rs.3.849 million at the grant date whereas stock options plans were not granted during the year 2008.

The following assumptions were used in determining the fair value of the plan awarded in 2009:

- Dividend yield: 5.72%
- Residual life: 6 years
- Volatility of sanofi-aventis S.A., France, shares, computed on a historical basis: 27.06%
- Risk-free interest rate: 2.84%

The fair value of the options granted in 2009 at grant date is €4.95 per option.

The expense recognised for stock option plans, and the corresponding entry taken to equity, amounted to Rs.5.968 million during the current year and Rs.7.284 million during the year ended December 31, 2008.

As of December 31, 2009, the total cost related to non-vested share-based compensation arrangements amounted to Rs.11.941 million to be recognised over a weighted average period of 2 years.

Restricted share plan:

The Board of Directors of sanofi-aventis Group, in a meeting on March 2, 2009, decided to award a restricted share plan comprising 2,001 shares, which will vest after a four-year service period.

In compliance with IFRS 2 (Share-Based Payment), sanofi-aventis Pakistan limited has measured the fair value of this plan by reference to the fair value of the equity instruments awarded, representing the fair value of the services rendered during the period.

The plan was measured as of the date of grant. The fair value of each share awarded is equal to the listed market price of the share as of that date (€41.10), adjusted for dividends expected during the vesting period.

This amount is being recognized as an expense over the vesting period, with the matching entry recorded directly in equity.

An expense of Rs.1.325 million was recognized for this plan during the year ended December 31, 2009.

The number of restricted shares outstanding as of December 31, 2009 was 2,001.

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16. LIABILITY AGAINST ASSET SUBJECT TO FINANCE LEASE

The amount of future minimum lease payments together with the present value of the minimum lease payments and the periods during which they fall due are as follows:

	December 31, 2009 Rs '000	December 31, 2008 Rs '000
Present value of minimum lease payments	9,292	-
Current maturity shown under current liabilities	(2,059)	-
	7,233	-
Minimum lease payments		
Not later than one year	3,036	-
Later than one year and not later than five years	8,589	-
	11,625	-
Future finance charges on finance leases	(2,333)	-
Present value of finance lease liabilities	9,292	-
Present value of finance lease liabilities		
Not later than one year	2,059	-
Later than one year and not later than five years	7,233	-
	9,292	-

The Company has entered into a finance lease agreement with a Non-Banking Finance Company in respect of a motor vehicle. The rate of interest used as the discounting factor is six month's KIBOR + 2.25% per annum. The lease rentals are payable in quarterly installments ending in May 2013. There are no financial restrictions in the lease agreements.

17. DEFERRED TAXATION

	December 31, 2009 Rs '000	December 31, 2008 Rs '000
Credit balances arising from:		
Accelerated tax depreciation allowance	60,144	66,148
Recognition of actuarial gain on retirement benefit plans	16,950	27,326
Debit balances resulting from:		
Short-term provisions against:		
- trade debts	(462)	(4,301)
- stock in trade	(8,092)	(8,811)
- stores and spares	(946)	(341)
- unrealized exchange loss	(2,496)	(4,047)
- others	(1,016)	(1,876)
Liabilities outstanding for more than three years	-	(3,951)
	64,082	70,147

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for the year ended December 31, 2009

	Note	December 31, 2009 Rs '000	December 31, 2008 Rs '000
18. TRADE AND OTHER PAYABLES			
Trade creditors			
Related parties		129,998	491,222
Other trade creditors		165,637	102,882
		295,635	594,104
Other payables			
Accrued liabilities		312,261	226,301
Advances from customers		4,587	5,771
Workers' Profit Participation Fund	18.1	13,740	4,615
Workers' Welfare Fund		5,164	1,726
Central Research Fund		2,556	853
Compensated absences		27,115	24,299
Security deposits		575	10,595
Contractors' retention money		9,445	14,188
Employees' Gratuity Fund	12.3	-	4,869
Unclaimed dividend		1,694	1,701
Income tax deducted at source		11,910	-
Unrealised loss on re-measurement of forward exchange contract		-	3,976
Others		3,647	-
		392,694	298,894
		688,329	892,998
18.1 Workers' Profit Participation Fund			
Balance at the beginning of the year		4,615	6,936
Allocation for the year		13,740	4,615
Prior year adjustment		(32)	-
		18,323	11,551
Interest on funds utilised in Company's business		2,867	94
Amount paid to the Trustees of the Fund		(7,448)	(7,028)
Deposited with the Government		(2)	(2)
		(7,450)	(7,030)
		13,740	4,615
19. SHORT-TERM BORROWINGS			
Short-term loans - secured	19.1	530,000	-
Running finances utilised under mark-up arrangements - secured	19.2	835,759	872,512
		1,365,759	872,512

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19.1 Short-term loans were obtained by the Company from various commercial banks at the end of the year and are repayable on various dates latest by January 21, 2010. These carry mark-up at rates ranging between 0.75% and 0.80% per annum above one month KIBOR. The above loans are secured against first pari passu charge on stock-in-trade and book debts of the Company.

19.2 The facilities for running finances available from various banks under mark-up arrangements aggregated to Rs.1,550 (2008: Rs.1,255) million. These facilities expire on various dates, latest by November 20, 2010. The rates of mark-up range between Rs.0.3532 and Rs.0.4247 (2008: Rs.0.4115 and Rs.0.4866) per Rs.1,000 per day. The facilities are secured against first pari passu charge on stock-in-trade and book debts of the Company.

Out of the facilities of Rs.973 (2008: Rs.784) million for opening the letters of credit, guarantees and bill discounting, the unutilised amount was Rs.690 (2008: Rs.556) million as at the end of the year.

20. CONTINGENCIES AND COMMITMENTS

20.1 Contingencies

(a) Bank guarantees, aggregating to Rs.94.328 (2008: Rs.69.328) million, at the end of the current year have been given to the Collector of Customs in respect of exemption of levies on import of specified pharmaceutical materials, subject to the consumption of such raw materials within the specified period and to various other parties.

(b) Claims not acknowledged as debt amounted to Rs.21.391 (2008: Rs.26.287) million at the end of the current year.

(c) In finalising the tax assessment of former Rhone Poulenc Rorer Pakistan (Private) Limited for the assessment years 1994-95 to 1997-98, the Taxation Officer (TO) made additions mainly on the alleged contention that the Company had paid excessive amounts for importing certain raw materials and disallowances of sales promotion expenses. The said additions and disallowances have been set aside by the Income Tax Appellate Tribunal (ITAT). However, the department has filed appeals against the decision of the ITAT before the High Court.

The management of the Company is of the view that the final outcome of the above referred matters will be in favour of the Company and, hence, provision amounting to approximately Rs.95 million has not been made in these financial statements, pending a final decision in these matters.

20.2 Commitments

(a) Commitments in respect of capital expenditure contracted for amounted to Rs.74.351 (2008: Rs. 209.76) million, at the end of the year.

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for the year ended December 31, 2009

(b) Commitments for rentals under operating lease agreements in respect of vehicles amounted to Rs.1.101 (2008: Rs.3.520) million at the end of the year, payable over the next three years as follows:

Years	December 31, 2009 Rs '000	December 31, 2008 Rs '000
2009	-	2,458
2010	734	708
2011	367	354
	1,101	3,520

	December 31, 2009 Rs '000	December 31, 2008 Rs '000
(c) Outstanding letters of credit	35,198	11,115

(d) Commitments in respect of foreign exchange forward contracts with banks as at December 31, 2009, amounted to Nil (2008: Rs.79.016 million).

	December 31, 2009 Rs '000	December 31, 2008 Rs '000
21. NET SALES		
Gross sales		
Local	7,059,913	4,620,095
Export	29,319	27,805
	7,089,232	4,647,900
Toll manufacturing	52,014	28,642
	7,141,246	4,676,542
Returns	(29,983)	(46,266)
Discounts	(385,555)	(283,748)
	(415,538)	(330,014)
	6,725,708	4,346,528

notes to the financial statements

for the year ended December 31, 2009

22. OPERATING COST

	Cost of Sales 2009 Rs '000	Cost of Sales 2008 Rs '000	Distribution and marketing expenses 2009 Rs '000	Distribution and marketing expenses 2008 Rs '000	Administrative expenses 2009 Rs '000	Administrative expenses 2008 Rs '000	Total 2009 Rs '000	Total 2008 Rs '000
Raw, auxiliary and packing material consumed	2,327,063	2,238,719	-	-	-	-	2,327,063	2,238,719
Stores and spares consumed	20,586	11,898	-	-	-	-	20,586	11,898
Stationery and supplies consumed	5,060	3,899	5,867	5,545	480	462	11,407	9,906
Staff costs (note 22.1)	356,054	267,836	279,694	247,900	77,716	60,556	713,464	576,292
Fuel and power	129,633	108,772	1,636	1,796	10,079	6,490	141,348	117,058
Rent, rates and taxes	9,203	3,199	6,779	5,061	1,348	386	17,330	8,646
Lease rentals	358	1,758	2,639	7,244	106	1,860	3,103	10,862
Royalty and technical fee	-	-	-	5,709	-	-	-	5,709
Insurance	3,210	2,835	4,970	4,876	1,004	636	9,184	8,347
Repairs and maintenance	58,842	42,482	6,285	1,692	12,630	9,094	77,757	53,268
Raw, auxiliary and packing material written off	5,369	6,422	-	-	-	-	5,369	6,422
Provision against raw materials	3,313	-	-	-	-	-	3,313	-
Provision for slow moving stores and spares - net	-	72	-	-	-	-	-	72
Depreciation / amortisation	93,171	77,107	21,204	15,936	15,468	13,089	129,843	106,132
Traveling and conveyance	38,918	35,204	200,803	178,570	12,651	13,877	252,372	227,651
Handling, freight and transportation	-	-	39,723	32,198	-	-	39,723	32,198
Communication	2,456	3,700	9,332	10,011	10,888	11,172	22,676	24,883
Security and maintenance	4,024	3,981	1,038	1,078	3,324	1,821	8,386	6,880
Publication and subscription	323	97	4,430	123	2,515	628	7,268	848
Advertising, samples and sales promotion	-	-	281,565	203,963	-	-	281,565	203,963
Commission expenses	-	-	156,919	21,863	-	-	156,919	21,863
Software license / maintenance fee	-	-	3,708	2,904	2,473	1,737	6,181	4,641
Provision / (reversal of provision) against loans to ex-employees	-	-	53	(174)	-	-	53	(174)
Provision / (reversal of provision) for doubtful trade deposits	-	-	-	(279)	-	-	-	(279)
Provision for doubtful trade debts	-	-	1,515	-	-	-	1,515	-
Bad debts written off	-	-	143	70	-	-	143	70
Loans to employees written off	-	-	572	-	-	-	572	-
Other expenses	4,469	5,143	19,408	11,049	2,025	819	25,902	17,011
	3,062,052	2,813,124	1,048,283	757,135	152,707	122,627	4,263,042	3,692,886
Recovery of service charges from outside parties	(6,532)	(8,011)	-	-	-	-	(6,532)	(8,011)
	3,055,520	2,805,113	1,048,283	757,135	152,707	122,627	4,256,510	3,684,875
Opening work in process	30,614	34,862						
Closing work in process	(22,445)	(30,614)						
Cost of goods manufactured	3,063,689	2,809,361						
Opening stock of finished goods	533,556	507,993						
Finished goods purchased	2,228,891	522,989						
Finished goods written off	46,394	35,640						
Cost of samples issued under distribution and marketing expenses	(64,086)	(41,758)						
Provision / (reversal of provision) against slow moving finished goods	7,784	(9,964)						
Closing stock of finished goods	(717,119)	(533,556)						
	5,099,109	3,290,705						

notes to the financial statements

for the year ended December 31, 2009

22.1 Staff costs

	Cost of Sales 2009 Rs '000	Cost of Sales 2008 Rs '000	Distribution and marketing expenses 2009 Rs '000	Distribution and marketing expenses 2008 Rs '000	Administrative expenses 2009 Rs '000	Administrative expenses 2008 Rs '000	Total 2009 Rs '000	Total 2008 Rs '000
Salaries, wages and other benefits - note 22.1.1	344,415	255,727	257,960	228,242	64,828	53,342	667,203	537,311
Training expenses	234	324	3,484	4,846	318	84	4,036	5,254
Defined benefit plan	3,164	3,836	7,927	3,995	3,452	869	14,543	8,700
Defined contribution plan	6,598	6,926	9,815	8,489	3,976	2,328	20,389	17,743
Share based payments	1,643	1,023	508	2,328	5,142	3,933	7,293	7,284
	356,054	267,836	279,694	247,900	77,716	60,556	713,464	576,292

22.1.1 As mentioned in last year's Director's report, the Company has initiated a project for divestment of its WAH manufacturing site and shifting its entire production facility to one site - at Karachi. Accordingly, investment on liquid manufacturing facility at Karachi was initiated, which is progressing as per the project plan and is expected to start commercial production during the first quarter of 2010. Further, as a result of the above project and fulfillment of social responsibility, the Company has paid a sum of Rs.55.784 (2008: Rs.2.430) million to its employees at WAH manufacturing site on account of voluntary separation scheme.

The Company as a result of voluntary separation scheme has also paid a sum of Rs.1.841 million (2008: Nil) to the canteen workers upon outsourcing of cafeteria as part of the rationalization program and fulfillment of corporate social responsibility.

The above amounts have been allocated as follows:

	Note	December 31, 2009 Rs '000	December 31, 2008 Rs '000
Cost of sales		55,784	2,430
Distribution expenses		-	7,558
Administrative expenses		1,841	-
		57,625	9,988

23. OTHER OPERATING EXPENSES

	Note	December 31, 2009 Rs '000	December 31, 2008 Rs '000
Auditors' remuneration	23.1	1,534	1,064
Workers' Profits Participation Fund	18.1	13,708	4,615
Workers' Welfare Fund		5,164	1,726
Contribution for Research and Development Fund		2,556	853
Legal and consultancy charges		7,195	7,803
Donations	23.2	1,845	430
Exchange losses - net		107,331	38,527
Miscellaneous		3,331	2,374
		142,664	57,392

23.1 Auditors' remuneration

	December 31, 2009 Rs '000	December 31, 2008 Rs '000
Audit fee	616	560
Review of half yearly financial statements	210	190
Special certification and reportings	545	254
Out-of-pocket expenses	163	60
	1,534	1,064

notes to the financial statements

for the year ended December 31, 2009

	Note	December 31, 2009 Rs '000	December 31, 2008 Rs '000
23.2 Names of donees in which a director or his spouse has an interest:			
• **LUMS School of Science & Engineering D.H.A, Lahore** (Syed Babar Ali, Chairman, and Mr. Tariq Wajid, Chief Executive, and Syed Hyder Ali, Director are the members of the Board of Trustees of Lahore University of Management Sciences)		1,640	-
• **World Wide Fund for Nature Fortune Centre, P.E.C.H.S. Karachi** (Syed Babar Ali, Chairman and Syed Hyder Ali, Director are the members of the Fund)		25	25
24. OTHER OPERATING INCOME			
Income from financial assets			
Interest on loans to employees		441	375
Interest income on term deposits		2,671	-
		3,112	375
Income from related parties			
License fee	3.1.1	6,943	5,772
Income from non-financial assets			
Gain on sale of operating fixed assets		9,997	32,233
Gain on disposal of non-current assets held for sale	24.1	49,629	-
Others			
Liabilities no longer payable written back		20,425	1,149
Scrap sales		4,985	11,452
Export rebate claims		755	314
Miscellaneous		5,280	1,514
		31,445	14,429
		101,126	52,809

24.1 This represents gain on disposal of freehold land and building thereon located at 87-A , satellite town, Rawalpindi, classified as non- current assets held for sale as at December 31, 2008.

	Note	December 31, 2009 Rs '000	December 31, 2008 Rs '000
25. FINANCE COSTS			
Mark-up on:			
short-term running finances		90,874	83,594
short-term loans		31,679	-
		122,553	83,594
Interest on Workers' Profit Participation Fund	18.1	2,867	94
Interest on finance lease		842	-
Bank charges		4,750	3,425
		8,459	3,519
		131,012	87,113

notes to the financial statements

for the year ended December 31, 2009

	Note	December 31, 2009 Rs '000	December 31, 2008 Rs '000
26. TAXATION			
Current		95,708	47,414
Prior		3,947	1,284
Deferred		(13,967)	(2,602)
		85,688	46,096
26.1 Explanation of relationship between accounting profit and tax expense:			
Accounting profit before taxation		253,059	84,365
Income tax at the applicable tax rate 35% (2008: 35%)		88,571	29,528
Effect of tax under final tax regime and other adjustments - net		(9,383)	12,735
Effect of share based payments		2,553	2,549
Effect of prior years' tax charge		3,947	1,284
		85,688	46,096
27. BASIC EARNINGS PER SHARE			
There is no dilutive effect on the basic earnings per share of the Company, which is based on:			
Net profit for the year		167,371	38,269
		Number of shares	
Weighted average number of Ordinary shares		9,644,760	9,644,760
Earnings per share - Basic and Diluted		17.35	3.97
28. CASH GENERATED FROM OPERATIONS			
Profit before taxation		253,059	84,365
Adjustment for non-cash charges and other items:			
Depreciation / amortization		129,843	106,132
Gain on sale of operating fixed assets		(9,997)	(32,233)
Gain on disposal of non-current assets classified as held for sale		(49,629)	-
Expenses arising from equity settled share based payment plans		7,293	7,284
Retirement benefits		14,543	8,700
Interest income		(3,112)	(375)
Finance costs		131,012	87,113
Working capital changes	28.1	(415,489)	105,891
		57,523	366,877

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for the year ended December 31, 2009

	Note	December 31, 2009 Rs '000	December 31, 2008 Rs '000
28.1 Working capital changes			
Decrease / (increase) in current assets:			
Stores and spares		2,600	1,366
Stock-in-trade		(31,793)	(27,923)
Trade debts		(193,857)	(14,031)
Loans and advances		(1,677)	355
Trade deposits and short-term prepayments		11,012	(13,796)
Other receivables - net		(1,981)	(39,913)
		(215,696)	(93,942)
(Decrease) / increase in current liabilities:			
Trade and other payables - net (excluding accruals for finance costs and unclaimed dividend)		(199,793)	199,833
		(415,489)	105,891
29. CASH FLOWS FROM OPERATING ACTIVITIES (DIRECT METHOD)			
Cash receipts from customers		6,492,722	4,309,056
Cash paid to suppliers / service providers and employees		(6,435,199)	(3,942,179)
Financial charges paid		(143,916)	(65,554)
Taxes paid		(148,078)	(105,613)
Long-term loans (net)		2,543	2,583
Long-term deposits (net)		(1,284)	100
Net cash (used in) / generated from operating activities		(233,212)	198,393
30. CASH AND CASH EQUIVALENTS			
Cash and cash equivalents comprise of the following items:			
Cash at bank - current accounts	13	2,286	2,186
Short-term running finances	19	(835,759)	(872,512)
		(833,473)	(870,326)

31. TRANSACTIONS WITH RELATED PARTIES

The related parties of the Company comprise associated undertakings, employees' provident fund, employees' gratuity fund, employees' pension fund, directors and key management personnel of the Company. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties, remuneration of Executives and the Chief Executive are disclosed in the relevant notes.

There are no transactions with key management personnel other than under the terms of employment.

Terms and conditions of transactions with related parties

The transactions with the related parties are made at normal market prices. There have been no guarantees provided or received for any related party receivables or payables. Other material transactions with related parties are given below:

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for the year ended December 31, 2009

		December 31, 2009				December 31, 2008			
		Group Companies	Associated undertaking by virtue of Common Directorship	Retirement Benefits Plans	Total	Group Companies	Associated Undertaking by virtue of Common Directorship	Retirement Benefits Plans	Total
		Rs. in '000				Rs. in '000			
i)	Gross sales	29,319	256	-	29,575	32,275	-	-	32,275
ii)	Purchase of goods	3,086,613	3,559	-	3,090,172	1,421,600	4,350	-	1,425,950
iii)	Purchase of services	-	4,783	-	4,783	-	4,321	-	4,321
iv)	Purchase of fixed assets	1,887	-	-	1,887	3,865	-	-	3,865
v)	Recovery of service charges and other expenses	-	6,997	-	6,997	-	9,107	-	9107
vi)	License fee of land received	-	6,943	-	6,943	-	5,772	-	5,772
vii)	Royalty and technical fee	-	-	-	-	6,172	-	-	6,172
viii)	Contributions paid to Provident Fund	-	-	20,389	20,389	-	-	17,743	17,743

31.1 The impact of benefits available to the Chief Executive and Others recognised by the Company in the expenses during the year on account of share-based payment plans aggregate Rs.2.632 (2008: Rs.2.506) million and Rs.4.661 (2008: Rs.4.778) million respectively.

31.2 The related party status of outstanding balances as at December 31, 2009 are included in trade debts, trade and other payables and other receivables. The balances are unsecured and are settled in accordance with the terms and conditions of the transactions.

32. REMUNERATION OF THE CHIEF EXECUTIVE, A DIRECTOR AND EXECUTIVES

The aggregate amounts charged in the financial statements for the year in respect of remuneration, including benefits, to the Chief Executive, Director and Executives of the Company are as follows:

	Chief Executive 2009 Rs '000	Chief Executive 2008 Rs '000	Director 2009 Rs '000	Director 2008 Rs '000	Executives 2009 Rs '000	Executives 2008 Rs '000	Total 2009 Rs '000	Total 2008 Rs '000
Managerial remuneration	9,247	8,041	4,060	3,593	64,854	49,596	78,161	61,230
Profit sharing bonus	4,084	2,910	1,189	842	13,044	8,505	18,317	12,257
Retirement benefits	1,695	1,474	744	659	11,312	8,816	13,751	10,949
Perquisites and benefits:								
Rent and utilities	5,086	4,423	2,233	1,976	33,941	26,453	41,260	32,852
Medical expenses	47	21	271	151	2,978	1,765	3,296	1,937
Club subscription**	65	53	84	76	4,242	37	4,391	166
	20,224	16,922	8,581	7,297	130,371	95,172	159,176	119,391
Number of person	1	1	1	1	54	48	56	50

** During the year, some of the Executives were provided with club membership in accordance with the terms of their employment.

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In addition to the above remuneration, the Chief Executive, a Director and certain Executives are also provided with free use of the Company maintained cars and household equipment in accordance with the terms of employment.

Further, the impact of benefits available to the Chief Executive, a Director and certain Executives recognised by the Company in the expense during the year on account of share-based payment plans aggregated to Rs.2.632 (2008: Rs.2.506) million, Rs.1.244 (2008: Rs.1.250) million and Rs.3.416 (2008: Rs.3.528) million, respectively.

Aggregate amount charged in the financial statements in respect of fee to Directors other than working Directors was Rs.5,500 (2008: Rs.4,000).

The above remuneration of Directors does not include amounts paid or provided by the related parties.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk, currency risk and equity price risk), credit risk and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

The Company's financial liabilities mainly comprise liability against asset subject to finance lease, trade and other payables, short-term borrowing and accrued mark-up. The main purpose of financial liabilities is to raise finance for the Company's operations. The Company's financial assets comprise trade debts, loans to employees, deposits, other receivables, and cash and bank balances.

The management reviews and agrees policies for managing each of these risks as explained below:

33.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign exchange rates, interest rates and equity price risks. The objective of market risk management is to manage and control market risk exposures within an acceptable range, and the management manages these risks as explained in the following paragraphs.

33.1.1 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to foreign exchange risk due to transactions denominated in foreign currencies primarily relating to its operating activities. The Company in the past used forward contracts to hedge its exposure to foreign currency risk, where appropriate. However, due to the suspension of forward contracts by the State Bank of Pakistan, effective July 8, 2008, the foreign currency transactions of the Company were exposed to foreign exchange risks during the year.

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for the year ended December 31, 2009

	December 31, 2009 Rs '000	December 31, 2008 Rs '000
Forward exchange contracts		
Purchased value	-	79,016
Fair value	-	83,992

Exposure to foreign currency risk

The Company's exposure to foreign currency risk in major currencies is as follows:

	December 31, 2009 Euro '000	December 31, 2008 Euro '000	December 31, 2009 USD '000	December 31, 2008 USD '000
Trade receivables	-	26	-	-
Other receivables	40	-	563	402
Trade and other payables	(44)	(60)	(1,456)	(6,060)
	(4)	(34)	(893)	(5,658)

Sensitivity analysis

The following is the demonstration of the sensitivity to a reasonably possible change in exchange rate of all major currencies applied to assets and liabilities as at December 31, 2009 represented in foreign currencies, with all other variables held constant, of the Company's profit before tax.

		December 31, 2009	December 31, 2008
Change in exchange rate	±	1%	1%
Effect on profit before tax (Rs.000's)	±	770	4,279
Effect on equity (Rs.000's)	±	500	2,781

33.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rates. The Company's exposure to the risk of change in market interest rate relates primarily to the Company's liability against asset subject to finance lease and short-term borrowings with floating interest rates. At December 31, 2009, the Company's entire borrowings are at floating rate of interest.

The Company's policy is to keep its short-term running finances at the lowest level by effectively utilizing the positive cash and bank balances.

notes to the financial statements

for the year ended December 31, 2009

Interest rate profile of financial instruments

At the reporting date, the interest rate profile of the Company's interest bearing financial instruments was as follows:

	December 31, 2009 Effective rates (%)	December 31, 2008 Effective rates (%)	December 31, 2009 Rs '000	December 31, 2008 Rs '000
Financial assets				
Loans to employees	9.00 & 16.50	9.00 & 16.50	2,974	4,257
Financial liabilities				
Short-term loans	0.75% to 0.80% p.a. above 1 month KIBOR	-	530,000	-
Running finances utilized under mark-up arrangements	Rs.0.3532 to Rs.0.4247 per Rs.1,000 per day	Rs. 0.4115 to Rs. 0.4866 per Rs.1,000 per day	835,759	872,512
Liability against asset subject to finance lease	six months KIBOR + 2.25	-	9,292	-
			1,375,051	872,512

Sensitivity analysis

A change of 100 basis points (1%) in interest rate at the reporting date would have changed Company's profit before tax for the year and equity by the amounts shown below, with all other variables held constant.

		December 31, 2009	December 31, 2008
Change in interest rate	±	1%	1%
Effect on profit before tax (Rs.000's)	±	8,769	8,725
Effect on equity (Rs.000's)	±	5,699	5,671

33.1.3 Equity price risk

Equity price risk is the risk of loss arising from movements in prices of equity investments. The Company is not exposed to any equity price risk, as the Company does not have any investment in equity shares.

34.2 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail completely to perform as contracted. To mitigate the credit risk, the Company has a system of assigning credit limits to its customers based on an extensive credit rating and ensures that sales of products and services are made to customers with appropriate credit history and credit worthiness. The utilization of credit limit is regularly monitored. Accordingly, the credit risk is minimal and the Company also believes that it is not exposed to major concentration of credit risk.

notes to the financial statements

for the year ended December 31, 2009

Exposure to credit risk

The Company's maximum exposure to credit risk at the reporting date is as follows:

	December 31, 2009 Rs '000	December 31, 2008 Rs '000
Trade debts	345,808	151,951
Loans to employees	7,901	11,367
Deposits	23,053	33,972
Other receivables	53,768	57,705
Bank balances	2,286	2,186
	432,816	257,181

The management does not expect any losses from non-performance by these counterparties.

Quality of financial assets

The credit quality of financial assets can be assessed by reference to external credit ratings or the historical information about counter party default rates as shown below:

	December 31, 2009 Rs '000	December 31, 2008 Rs '000
33.2.1 Trade debts		
The carrying values of trade receivables that are neither past due nor impaired are analyzed as follows:		
Customers with no defaults in the past one year	71,177	78,794
Customers with some defaults in past one year	4,417	4,533
	75,594	83,327
The ageing of trade debts past due but not impaired at the reporting date is as under. These relate to a number of independent customers from whom there is no history of default.		
1 - 30 days	230,535	20,694
31 - 60 days	11,028	10,206
61 - 90 days	11,425	14,197
91 - 120 days	6,730	3,044
121 - 150 days	2,160	12,075
151 - 180 days	1,665	1,137
181 - 270 days	5,515	3,436
Over 365 days	1,156	3,835
	270,214	68,624
	345,808	151,951
The maximum exposure to credit risk for trade debts as at the reporting date by type of counterparties was:		
Government institutions and hospitals	301,547	88,596
Private institutions and hospitals	46,460	78,363
	348,007	166,959
Provision for doubtful debts	(2,199)	(15,008)
	345,808	151,951

notes to the financial statements

for the year ended December 31, 2009

	December 31, 2009 Rs '000	December 31, 2008 Rs '000
33.2.2 Cash and bank		
The carrying values of bank balances are analyzed as follows:		
Held with banks having a rating of A1+	2,059	2,186
Held with banks having a rating of A1	227	-
	2,286	2,186

33.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Company maintains flexibility in funding by maintaining availability under control committed credit lines.

The table below summarizes the maturity profile of the Company's financial liabilities as at reporting date.

	Carrying Amount	less than 12 months	1 to 2 years	2 to 5 years
	------------------- Rupees in '000 -------------------			
Financial liabilities				
December 31, 2009				
Liability against asset subject to finance lease	9,292	2,059	2,222	5,011
Trade and other payables	623,257	623,257	-	-
Accrued mark-up	19,182	19,182	-	-
Short-term borrowings	1,365,759	1,365,759	-	-
	2,017,490	2,010,257	2,222	5,011
December 31, 2008				
Trade and other payables	840,865	840,865	-	-
Accrued mark-up	32,086	32,086		
Short-term borrowings	872,512	872,512	-	-
	1,745,463	1,745,463	-	-

33.4 Fair values of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in arm's length transaction. Consequently, differences may arise between the carrying value and the fair value estimates.

At December 31, 2009 the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values except for loan to employees which are valued at their original cost less repayment.

notes to the financial statements

for the year ended December 31, 2009

33.5 Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may regulate the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Company monitor its capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total bank borrowings less cash and bank balances. Total capital is calculated as equity, as shown in the balance sheet plus net debt.

The gearing ratio as at December 31, 2009 and 2008 were as follows:

	Note	December 31, 2009 Rs '000	December 31, 2008 Rs '000
Liability against asset subject to finance lease		9,292	-
Short-term borrowings		1,365,759	872,512
Total borrowings		1,375,051	872,512
Less: cash and bank balances	13	(2,286)	(2,186)
Net debt		1,372,765	870,326
Total equity		1,292,449	1,116,612
		2,665,214	1,986,938
Gearing ratio		51%	44%

34. CAPACITY AND PRODUCTION

The capacity and production of the Company's manufacturing facility is undeterminable as it is a multi product plant involving varying processes of manufacture.

35. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on February 11, 2010 by the Board of Directors of the Company.

36. MOVEMENT BETWEEN RESERVES AND PROPOSED DIVIDEND

The Board of Directors in its meeting held on February 11, 2010 (i) approved the transfer of Rs. 125 million from unappropriated profit to general reserve; and (ii) proposed a final dividend of Rs. 7.00 per share for the year ended December 31, 2009, amounting to Rs. 67.513 million for approval of members at the Annual General Meeting to be held on March 29, 2010. These financial statements do not include the effect of the aforementioned proposed dividend.

37. GENERAL

Figures presented in these financial statements have been rounded off to the nearest thousand rupees, unless otherwise stated.

Syed Babar Ali
Chairman

Tariq Wajid
Chief Executive

Karachi: 11th February, 2010

ERNST & YOUNG

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants
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Tel: +9221 565 0007
Fax: +9221 568 1965
www.ey.com/pk

auditors' report to the members

We have audited the annexed balance sheet of SANOFI-AVENTIS PAKISTAN LIMITED as at 31 December 2009 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes, as stated in note 2.5, with which we concur;

(ii) the expenditure incurred during the year was for the purpose of the Company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2009 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants
Audit Engagement Partner's Name: Pervez Muslim
Date: 11th February, 2010
Place: Karachi

proxy form

I/We ______________________________ of ______________________________

______________________________ (full address) being a member of sanofi-aventis Pakistan limited hereby appoint ______________________________

of ______________________________

(full address) or failing him ______________________________

of ______________________________

(full address) as my / our proxy to attend and vote for me / us and on my / our behalf at the 42nd Annual General Meeting of the company to be held on Monday, March 29, 2010 and at any adjournment thereof.

As witness my / our hand this __________ day of __________ 2010.

Witness No.1

Name ______________________________

Address ______________________________

C.N.I.C. No. ______________________________

Rs.5/-
Revenue
Stamp

____
Signature of Member(s)

Witness No.2

____
(Name in Block Letters)

Name ______________________________

Address ______________________________

C.N.I.C. No. ______________________________

Folio No. ______________________________

Participant ID No. ______________________________

Account No. in CDS ______________________________

Important

1. CDC Account Holders are requested to strictly follow the guidelines mentioned in Circular No.1 of 2000 of SECP.
2. A member entitled to attend a General Meeting is entitled to appoint a proxy to attend and vote instead of him/her, no person shall act as a proxy, who is not a member of the Company except that a Corporation may appoint a person who is not a member.
3. The instrument appointing a proxy, together with the Board of Directors' resolution/Power of Attorney (if any) under which it is signed or a notarially certified copy thereof, should be deposited at the Registered Office not less than 48 hours before the time for holding the meeting.
4. The instrument appointing a proxy should be signed by the member or by his attorney duly authorized in writing. If the member is corporation it's common seal should be affixed to the instrument.

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AFFIX
CORRECT
POSTAGE

The Company Secretary

sanofi-aventis Pakistan limited
Plot 23, Sector 22, Korangi Industrial Area,
Karachi - 74900 Pakistan

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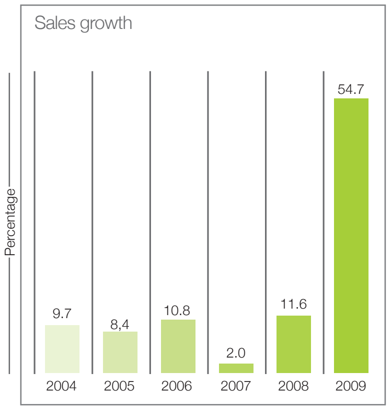
We are pleased to present the Annual Report and the company's audited financial statements for the year ended December 31, 2009. These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984.

The directors' report is prepared under section 236 of the Companies Ordinance, 1984 and clause xix of the code of corporate governance.

Overview

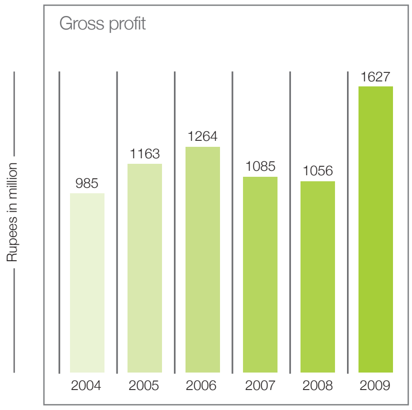
We are pleased to inform that net sales for the year ended December 31, 2009 at Rs.6,726 million registered an overall growth of 54.74% over the last year, comprising of 15.7% and 39.04% attributable to Pharmaceutical and the vaccine products, respectively. This growth is attributable to our strategy of introducing new products, adding new lines of business, maintaining leadership of our key brands by accelerating growth, innovative marketing campaigns and consistent sales efforts despite the bad law and order situation prevalent within the country especially in the northern areas. The consistent sales growth over the last two years is due to the hard work put in by the sales & marketing teams, as well as the teamwork among all of the company's departments, which strive every day to contribute to the achievement of the overall organizational goals.

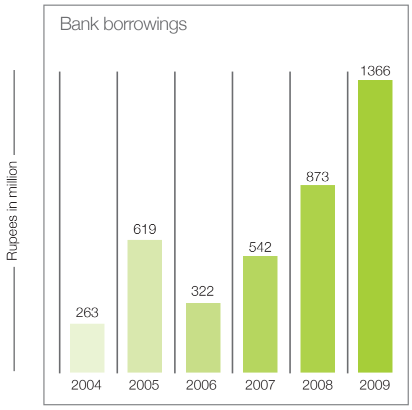


Our pharmaceutical business growth over last year included an impact of volume as well as price increase granted by Ministry of Health to 3 products in 2009 in addition to increase given in 2008 to 4 of our products representing "hardship cases" with the freeze on selling prices since December, 2001 continuing on the remaining products.

We achieved our strategy of adding new lines of business by a successful advent into human vaccines business during the year under report.

Despite continuous pressure, due to depreciation of Pak Rupee, soaring inflation, frequent power break-downs etc, we were able to maintain our gross margins as a percentage of net sales to just over 24% representing efforts made by the company's management in order to ensure sustainable growth and adequate returns for the shareholders as a whole.



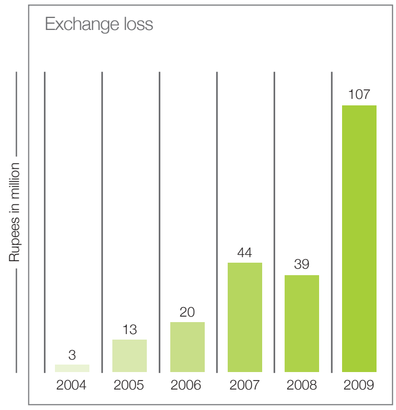


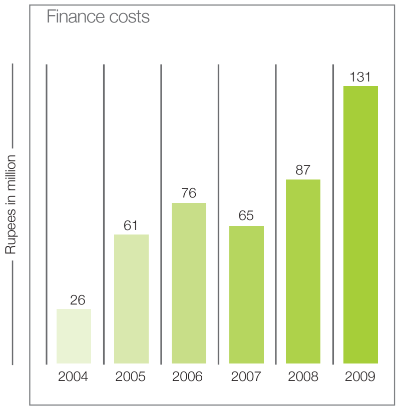
We are continuously transforming the business to meet the challenges that lie ahead. Therefore, as mentioned in our previous reports, a project for divestment of Wah manufacturing site and shifting its entire production facility to one place – at Karachi was initiated in 2007. In line with the project timelines and fulfillment of corporate social responsibility, the employees of Wah manufacturing site were paid a sum of Rs.55.784 million (included within the cost of sales) during the year on account of voluntary separation scheme. The project is expected to start commercial production in the first quarter of the year 2010 with related benefits expected to flow to the company in the form of increased turnover of the company's liquid products. Furthermore, the sale proceeds from the divestment of Wah manufacturing site is expected to reduce the overall borrowings and related borrowings costs for the company.

Distribution and marketing expenses have increased by 38.45% on an overall basis, compared with last year, primarily due to selling expenses pertaining to the addition of the vaccines business. Excluding the impact of vaccines related expenses, these have increased by 14.88% over last year mainly due to higher spending on advertising and promotional activities, increased traveling, conveyance and transportation costs because of fuel price increase, additional depreciation charge and other inflation related increases. Administrative expenses increased by 24.52% over last year, again mainly due to vaccines related expenses, general inflation, increase in fuel costs, security expenses and canteen related expenses including ex-gratia payments to the canteen workers as disclosed in note 22.1.1 to the financial statements.

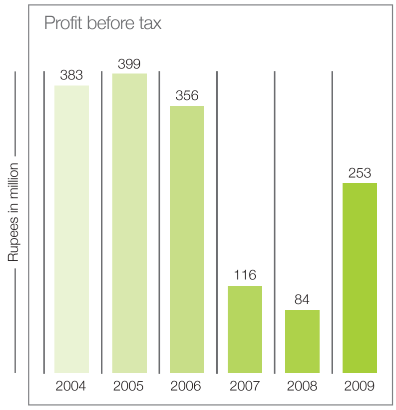
Other operating expenses include exchange losses amounting to Rs.107.331 (2008: Rs.38.527) million. These have increased by 178.59% over last year and represents losses suffered by the company on import liabilities as a consequence of Pak Rupee depreciation during the year. These also include WPPF, WWF and Central Research Fund charges, which are all profit related and have increased due to increase in profit before tax.

Other operating income mainly includes gain on disposal of company's house in Rawalpindi – Rs.49.629 million, used as sales office and classified as non-current assets available for sale in prior year financial statements.





Finance cost increased by Rs.43.899 million (i.e. 50.39%) over last year, attributable to increased capital expenditure financed through short-term borrowings as well as high borrowing costs incurred during the year as interest rates remained high.



Profit before tax at Rs.253.059 (2008: Rs.84.365) million was higher than last year by nearly 200% because of high sales growth and cost controls put in place.

In 2009 approximately 67% of our sales were on cash before delivery basis to 16 regional distributors. The remaining 33% sales were made on credit to large hospitals and government institutions. Excluding the impact of vaccines sales included above, approximately 89% of our sales were on cash before delivery basis. Effective credit control procedures are in place and the debtors' turnover ratio as of December 31, 2009 is 14 days as compared with 12 days last year. This increase in collection period is also attributable to the vaccines credit sales made to large Government institution in the last quarter of 2009.

Industry leadership

According to the last IMS market report sanofi-aventis is now ranked 4th in the pharmaceutical industry of Pakistan, with a market share and growth rate of 4.4% and 17% respectively. sanofi-aventis is one of the world's leading pharmaceutical companies and is ranked number one in Europe.

Medical activities

Sanofi-aventis Pakistan is committed to provide better healthcare solutions to the community and to fight against the diseases along with the doctors. The growth of the company means the rise of a healthy nation with less diseases and complications.

We as a company are more focused towards helping patients; hence all the strategies and innovative campaigns revolve around helping the patient by disease awareness and its management.

Sanofi-aventis operates in major therapeutic areas like diabetes, cardiovascular, oncology, urology, paediatric, anti-infective and many others. Each segment is focused through different medico marketing activities for increasing awareness of disease.

International and local scientific medical congresses and workshops are considered to be a very valid source of updating the medical knowledge of clinician's disease area. Sanofi-aventis assists the medical community to update their knowledge and skills to help the patient in a better way.

Flagyl®, the no.1 brand of sanofi-aventis Pakistan limited has created history by achieving Rs. 1 Billion sales landmark with double digit positive growth. This growth is a result of innovative initiatives such as "Seeing is Believing" campaign, "Explore the Potential" (Paediatric campaign), "Pure water-Pure life" campaign, RODD study, local speaker programs, scientific product presentations and intravenous medication programs for health professionals.

Typhoid, Pelvic Inflammatory Disease and Urinary Tract Infections are common infections affecting a large segment of the population. Through clinicians, more than 6500 patients were provided free early diagnostic facilities for detection of Typhoid, PID and Urinary Tract Infections during the year.

Sanofi-aventis has a tradition of facilitating academic activities for medical practitioners. As a part of this tradition, various events such as works and lectures by experts, round table discussions, seminars and symposia etc were organized during the year. Around 8000 doctors participated thus enabling them to enrich and update their medical practice.

Along with doctors, sanofi-aventis also focuses on patients. A HYGIENE CAMPAIGN was launched for creating awareness among general public about diseases and how to prevent infections in order to retain their health. This Campaign focuses on patient as well as doctor's education.

Keeping in view the importance of Paediatric patients, focused activities like round table discussions and local speaker programs were arranged to update knowledge on medical conditions such as Sepsis, pneumonia and bacterial meningitis.

Sanofi-aventis has state of the art manufacturing facility and processes. In order to differentiate the quality of our brands, Claforan and Haemaccel plant visits were arranged for doctors showing them the details of manufacturing processes and stringent quality control standards maintained.

In Urology segment sanofi-aventis Pakistan is helping the community by improving the awareness of BPH and the importance of its diagnosis at right time. A program "U Management" has been introduced all over Pakistan to train the general physicians for establishing diagnosis and management of BPH. From sanofi-aventis platform Urologists train General Practioners (GPs) with the help of case studies. This campaign is also bridging the knowledge gap between Urologists and GPs which is ultimately helping the BPH patients.

Sanofi-aventis Pakistan limited, the leaders in anti Diabetic field, offers a complete range of oral anti diabetics which include Amaryl®, Daonil®, Neodipar® and long & short acting insulins i.e. Lantus® & Apidra®. GPs play a key role in the management of diabetes and a primary contact point for the patient. GPs were updated on management of diabetes and standard of care. Educational materials were also developed for the benefits of diabetic patients. Further, diagnostic facilities like rapid HbA1c testing and diabetes detection drives were also organized at the clinics free of cost for the patients.

Lantus® achieved positive growth of 47% in 2009 with the introduction of Lantus® SoloSTAR® with its state of the art device which offers convenience and ease of use in administering insulin for diabetic patients using Lantus® and Apidra®. The response for this device was very encouraging and we were able to strengthen Lantus position in the medical community.

The ADA / EASD guidelines for 2009 continue the support for the early use of basal insulin to help patients reach their A1c goal. We continued to build on these guidelines by establishing the concept of early insulization and timely use of basal insulin and moving discussing the Basal Plus approach when basal is not enough by adding Apidra in all communications and medical educational programs.

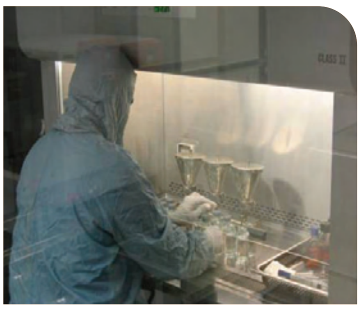
Instrument laboratory

In order to create awareness about venous thromboembolism, DVT awareness programs were arranged in major cities of Pakistan.

Sanofi-aventis in Pakistan also undertook 13 clinical studies relevant to the needs of the local population and medical community. The focus of these clinical research projects, some of which are ongoing, was in the fields of diabetes, infectious disease and breast cancer.

4361 patients were recruited across Pakistan involving approximately 150 investigators during the year. A large scale study, TAP (Typhoid in Adult Pakistani Population) was conducted to determine the incidence of typhoid fever. Instant diagnostic facility was provided to each suspected patient at the doctor's clinic. Patients who tested positive for the test were provided instant curative treatment, and those who tested negative were offered vaccination. This project was of great benefit to the population at large as it offered primary and secondary prevention to patients suspected of typhoid.

A research project VISION to determine the prevalence of retinopathy (condition affecting the retina of the eye) in diabetic patients was also undertaken during 2009. Changes in the eye occur much earlier than the appearance of symptoms related to retinopathy. A detailed examination of the retina can help detect these early changes. Diabetic patients were offered eye examination to assess the state of their vision. Patients in whom early changes were detected were referred to appropriate ophthalmologists for further management to prevent further deterioration of the condition. This project termed PRESERVING VISION is the first of its kind in Pakistan which should help to avert blindness in diabetic patients.



Micro & chemical testing

NASPAK was another study completed in 2009. The objective was to document the prophylaxis practices in surgical procedures. It is anticipated that guidelines in the administration of surgical prophylaxis will be produced to standardize this practice. When accomplished, it could go a long way in preventing resistance to antibiotics thereby prolonging the life-cycle of currently available antibiotics. This is one major leap towards providing holistic care to diabetic patients in order to minimize the agony of its dreaded complications.

Sanofi aventis strongly believes in spreading awareness on most current developments in the health related disciplines. We have a huge electronic library and real-time access to cutting edge articles published in prestigious peer reviewed journals. This service is highly appreciated by senior consultants, academicians and trainees. 3381 bibliographic searches were conducted for various practitioners during 2009. It is anticipated that findings from these publications will help advance patient care in the country. Health care professionals regard this as a highly valuable service.

To summarize, by undertaking various initiatives, we were able to improve awareness through educational and diagnostic support to our clinicians and patients.

The following new / generic products, including line extensions, were added to our portfolio in 2009:

Apidra® SoloSTAR® (insulin glusine) – launched in February 2009:

To help patients with Type I and Type II diabetes to achieve their treatment targets. Lantus® SoloSTAR® and Apidra® SoloSTAR® is the best combination of insulin and the easy to use pen that is easier to inject.

We will establish SoloSTAR® as the preferred pen, supporting the Lantus® & Apidra® leadership position in the diabetes market.

Winstor® (Atorvastatin) – launched in April 2009:

A leading molecule used for lowering cholesterol in blood which ultimately reduces the risk of cardiovascular diseases in patients.

Aventriax® (a generic of Ceftriaxone Sodium) – launched in August 2009:

A broad spectrum antibiotic available in injectable form for efficient relief to patients from infections including upper and lower respiratory tract infection, meningitis, bacterial septicemia, typhoid and intra abdominal infections.

Aventriax® launch ceremony

Capital expenditure

The company's long term commitment to the operations in Pakistan remains steadfast and, therefore, we continued with our policy of expansion, modernization, balancing, and upgrading of our production facilities.

Expansion of the Haemaccel plant and upgrading of the IQC laboratory were completed during the first quarter of the year 2009. Also, work on new liquid manufacturing facility at Karachi is progressing as per the project plan and is expected to start commercial production in the month of March 2010 as against the initial target of second quarter of the year 2010.

In addition to the manufacturing facilities we also invested in technology and infrastructure upgrading, as well as in equipment for improvement of EHS and security.

The total capital expenditure incurred during the year amounted to Rs.333.7 (2008: Rs.534.8) million.

Chemical laboratory upgraded

Haemaccel water purification & distillation

Profit, finance & taxation

The profitability over prior years has increased due to a combination of strategies adopted by the company's management as mentioned above, however, the same has been adversely affected by depreciation of Pak Rupee, cost increases due to double digit inflation, exchange losses suffered on import liabilities and financing costs. The profit, taxation and proposed appropriations are stated below:

	(Rs. in '000')
Profit for the year before taxation	**253,059**
Taxation :	
Current - for the year	(95,708)
prior period	(3,947)
Deferred	13,967
Total	(85,688)
Profit after taxation	**167,371**
Unappropriated profit brought forward	22,868
Actuarial gain recognized directly in equity - net off deferred taxation	14,676
Profit available for appropriations	204,915
Appropriations :	
Proposed final dividend @ 70% out of profits for the year ended Dec 31, 2009	67,513
Transfer to reserve	125,000
	192,513
Unappropriated profit carried forward	**12,402**

A good return & payout to shareholders is one of the primary objectives of your company. However, taking into account low dividend payout since last two years consequent to lower profitability, the directors of the company are pleased to recommend a final dividend of Rs.7.00 per share (70%), for approval by the shareholders. Further, considering the higher levels of borrowings as of December 31, 2009 and capital commitments, the directors approved a transfer of Rs.125 million from unappropriated profit to general reserve.

Cashflow

Pak Rupee depreciation, capital expenditure, increase in stocks, trade debts and finance cost including reduction in trade and other payables has resulted in increase in company's short-term borrowings by over Rs.493 million as at December 31, 2009.

Business risks and challenges

Important factors that could cause actual financial, business or operating results to differ materially from expectations are disclosed in the respective notes to the financial statements, including without limitation the following risk factors. In addition to the risks listed below, we may be subject to other material risks that, as of the date of this report, are not currently known to us or that we deem immaterial at this time.

We face uncertainties over the pricing of pharmaceutical products

The commercial success of our products depends in part on the pricing mechanism, to compensate for the local inflation and depreciation of Pak Rupee, of our product portfolio.

However, as mentioned in our earlier reports, we were granted price increase only on some of our products with the freeze on selling prices since December 2001 continuing on the remaining products despite significant currency depreciation and cost increases across all cost categories.

A slowdown of economic growth could have negative consequences for our business

The future growth of the pharmaceutical market also depends on the growth of national economy, which could negatively affect the pharmaceutical market and, as a result, adversely affect our business.

We rely on third parties for the manufacture and supply of a substantial portion of our raw materials, active ingredients and medical devices

Third parties supply us with a substantial portion of our raw materials, active ingredients and medical devices, which exposes us to the risk of a supply interruption in the event that our suppliers experience financial difficulties or are unable to manufacture a sufficient supply of our products Meeting requisite quality standards. It also increases the risk of quality issues, even at the most scrupulously selected suppliers. Even though we aim to have backup sources of supply whenever possible, however, we cannot be certain they will be sufficient if our principal sources become unavailable.

Counterfeit products could harm our business

The prescription drug supply has been increasingly challenged by vulnerability of distribution channels to illegal counterfeiting and the presence of counterfeit products in the market. Reports of adverse reactions to counterfeit drugs or increased levels of counterfeiting could materially affect patient confidence in the authentic product, and could harm the business of companies such as sanofi-aventis.

The management of the company together with other pharmaceutical Companies in the country is devising a strategy to minimize the exposure consequent to above risk facing the pharmaceutical industry as a whole.

Exchange rate fluctuations could affect our operating profits

Since significant parts of the company's operations are based on imported raw material and active ingredients, exchange rate fluctuations can significantly impact the company's operations as well as cash flow management. The management policy to manage the currency risk has been described in note 33.1 to the financial statements.

Changes in mark-up rates could affect our before tax profits

Since the company's cash flow management is dependent on the committed credit facilities, accordingly, changes in mark-up rates could also significant impact company's operating results before taxation. In order to mitigate the above risk, the company's management is taking initiates as described in detail below (see "Future Outlook – Cash Flow Management").

We are subject to the risk of non-payment by our customers

We run the risk of non-payment by our customers, which consist principally of distributors, pharmacies, hospitals and government institutions. In order to minimize the credit risk exposure we sell our products on cash basis to the distributors which comprise approximately 89% of our pharmaceutical sales. Whereas we seek to manage our credit risk exposure as described in note 34.2 to the financial statements.

Related party transactions

All related party transactions, during the year 2009, were placed before the audit committee and the board for their review and approval. These transactions were duly approved by the audit committee and the board in their respective meetings. All these transactions were in line with the transfer pricing policy with related parties approved by the board previously. The company also maintains a full record of all such transactions, alongwith the terms and conditions. For further details please refer note 31 to the financial statements.

Financial statements

The financial statements of the company have been audited and approved without qualification by the auditors of the company, Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants.

Award for best practices and corporate reporting

For the second consecutive year, your company has won an award for the best presented corporate reporting for the year 2008.

Our Annual Report for 2008 retained the overall 5th position in the Annual Report Competition 2008 in the Chemicals & Fertilizers sector. This competition was held jointly by the Institute of Chartered Accountants of Pakistan and the Institute of Cost and Management Accountants of Pakistan.

Best corporate report award - 2008

Human resource

The principle of equal opportunity is central to our HR policies and we are committed to equipping all employees with their job roles and support them to realize their full potential. With a human capital of 773 (2008: 789) permanent employees as at December 31, 2009, the company places high regard in grooming talent as it believes that its employees are the sustainable competitive advantage for the future.

During the year our human resources department was involved in a number of projects, which, inter-alia included:

New hires

One of the facets of our corporate strategy is to hire talented experienced and fresh university graduates from all over Pakistan.

Our participation at job fairs held at the leading business schools of Pakistan reflects the eagerness with which we pursue new talent. In order to strengthen the awareness about the company, each year all new hire undergo a comprehensive orientation program organized by the HR department.

Training and development

An important aspect of employee satisfaction and career enrichment is a continuous drive towards training and development. Activities conducted by our human resource section include trainings and workshops on leadership, communication and presentation skills, apprenticeship training programs for young and experienced product/ sales managers.

Training and development plans are integral part of performance review process and includes specific training events to develop new skills. In line with this ambition, the company imparted total training of 1389 days in 2009 to 676 employees of the company focusing on improving managerial, personal and functional effectiveness.

Some of the training programs included:

- A three day **Leadership Development workshop** to serve as a breeding ground for the young leaders of sanofi-aventis Pakistan limited.
- **Synergy and Leadership Development program** to enhance leadership skills at all levels
- **Business Management Development Program** to equip new District Managers (short line supervisors) on both people and business management
- **Sessions on Communication Skills** for both head office and sales employees
- **Finance for non-finance managers** for the development of key non-finance managers
- **Yearly Talent Management Program** was initiated through comprehensive discussions between the human resource section and departmental heads. This activity nurtures employees through a structured career program. Employee competencies and skills are then plotted on a 9-Box grid so that a structured employee development path is chalked out. As part of the above program, a **Talent Development Program** was organized sanofi-aventis group in Singapore and Hong Kong for special management training of senior managers.

Managment Development Program at Hong Kong University of Science & Technology

Education

As part of **Talent Development Program** and fulfilling corporate social responsibility, the company provides educational opportunities to the identified potential talents by extending full support to them thereby creating opportunities for ongoing learning and growth through career progression for such individuals.

The company also sponsors gold medals to the bright and talented students of various universities as an acknowledgement of the hard work put in by them.

We also run internship programs where students from leading business and medical colleges are generally given a 6 week on job training.

Promoting our values

At sanofi-aventis Pakistan we bind ourselves with a set of core values that highlight our strength as a community. Showcasing solidarity we held a sanofi-aventis Values Week in which we organized different events such as celebrated women's days to promote diversity of our workforce that included presentation on Osteoporosis by an external physician etc.

Contribution to the national exchequer

During the year the company paid over Rs.366 (2008: Rs.337) million to the government and its various agencies on account of various government levies including custom duty, income tax and Workers Welfare Fund.

Contribution to the country's economy

Being a multinational company, our aim has always been to make noteworthy contributions to the economy we operate in. One of the primary areas of focus has been the creation of employment opportunities. Supporting a large industrial and sales workforce, we have also been a prominent employment provider through third party contractors.

Our contribution to the corporate social responsibility program has been immense and has been a cornerstone in the quest towards the betterment of the society at large, details of which are given below.

We also prefer buying goods / material from the local vendor over the imports provided these meet the requisite quality standards because for us **health matters**.

Corporate social responsibility

The company operates in a socially responsible manner and is committed to the highest standards of corporate behavior. Accordingly, the company's CSR program has a very wide scope encompassing initiatives in the areas of heath care, education, environment protection, water and sanitation, child welfare, infrastructure development and other social welfare activities.

Following is a snapshot of the company's CSR initiatives during the year:

- Complete sponsorship, amounting to Rs.1.640 million, of two underprivileged students with outstanding abilities during their 4 year LUMS degree.

- 3 projects for Pakistan were awarded grants, amounting to Euro 80,000 in total, for "My child matters", an innovative global partnership between sanofi-aventis and the International Union Against Cancer (UICC). The 'My child matters' program aims to step up the fight against childhood cancer in countries where paediatric oncology is still struggling to become established.The program supports hospitals, foundations and NGOs to develop pragmatic approaches to improve awareness, early diagnosis, access to care and treatment, pain control and better management of the social and cultural aspects of the disease. Further details of the 3 projects that secured funding are as follows:

  The Children's Hospital & Institute of Child Health, Lahore
  Project: *Establishment of Paediatric Palliative Care Unit in Oncology Department of a Developing Country*

  Children's Cancer Foundation, Karachi
  Project: *Outreach Training Program for Paediatric Oncology in Sindh and Balochistan, Pakistan, to Improve Diagnosis and Treatment for Childhood Cancers*

  Karachi Cancer Registry (Dr. Yasmin Bhurgri), Sindh Medical College, Karachi
  Project: *Childhood Tumor Registry*

- Developed a practical guide to the prevention, diagnosis and management of rabies in order to promote prevention and improve management of rabies.

- Support for breast cancer awareness to highlight the importance of screening and early diagnosis.

- Contributed to Aga Khan University's welfare programs which assist underprivileged patients with the cost of their treatment and provide assistance to students who cannot cover the fees.

- Providing financial support to the Women & Children Medical Care Trust in providing essential and modern medical care.
- Providing support to Pakistan's largest charitable oncology hospital, Shaukat Khanum Hospital.
- Contributed to more greenery/plantation within and outside of company premises.
- Extended assistance during the IDP crisis by donating a large quantity of vital drugs to support the efforts of NGOs, international agencies and the Pakistani government. To assist employees directly impacted by this crisis, particularly those forced to flee their homes, financial and logistical support was provided to help them through the ordeal. The (global) Humanitarian Partnerships Department also provided financial support to its partner UNICEF to deliver basic supplies of clean water and sanitation, nutrition and health.
- Renovating Polyclinic (Federal Government Services Hospital) to upgrade its facilities. The renovation work is progressing as per the project plan and is expected to complete in February 2010.

Information technology

In line with our continuous endeavors to regularly upgrade information systems we continued with our policy to invest more and more in Information Technology (IT) and upgrade of related infrastructure, thereby enhancing both qualitative and quantitative aspects of management decision making. IT spending during the year amounted to over Rs.9 (2008: Rs.8) million.

Following are some of the highlights relating to IT activities:

Infrastructure

- provided connectivity and email services to over 350 sales staff; and
- investments in new servers and Centralized storage (SAN). These enhancements will increase retention of organizational data and facilitate efficient centralized storage for the entire organization;

Business solutions

eTMS system that manages sales force monitoring, performance, incentives, primary and secondary sales consolidation had several enhancements such as:

- extension of services to over 350 Sales Staff with access to daily call reports, sales analysis, personal KPIs and other field related information; and
- transformation of daily call reports from paper to electronic web based system

Business process improvements

In this world of ever changing business processes, it is essential to evolve new ways of business dealing and processes. Keeping this concept in mind the management continuously evolves business processes by converting paper based systems to electronic. Some of the initiatives under taken during the year 2009 include:

- ePR - Electronic Purchase Requisition system, to automate and simplify approval process, improve documentation and internal controls. The system integrates with SAP to ensure budget controlling as well;
- eAED - Electronic Approval, for projects of higher financial values. Projects can be transparently reviewed and approved by regional management and corporate teams;
- cGate - A portal for our sales force with communication highlights, email, and electronic daily call reporting that automates field expenses re-imbursement and KPI calculation. Results of electronic daily calls are cross-referenced with our secondary sales and as a result steers our marketing and sales planning process;
- GIMc - A global change management system, which is a paperless change management system for industrial processes. The system is GMP compliant and improves control and documentation. It also saves time in accessing change requests or to check status; and
- ESS - Employee Self Service, an HR system to eliminate manual queries and paperwork for dispensation of personal information, salary slips, leave application and other payroll related services

Website

All our stakeholders and general public can log on to the sanofi-aventis Pakistan limited website at www.sanofi-aventis.com.pk

Environment, health & safety

The company recognizes safety as the key component of operational excellence and gives utmost importance to training of employees and contractors to enhance safety awareness and actively incorporate industry best practices in the overall operating setup. Following are some of the key activities undertaken during the year with an objective to attain highest safety standards:

- training given to 374 employees utilizing 695 hrs and covering various topics especially Cardio Pulmonary Resuscitation;
- swine flu awareness given to all employees
- conducted risk assessment in respect of new liquid manufacturing facility;
- infra-red thermography conducted for all major electrical panels;

Our commitment to Environment, Health & Safety is manifested in all our activities as a no major accident was reported in 2009.

Environment risks of our industrial activities

Following measures are being taken by sanofi-aventis Pakistan limited to keep the environment clean and free from any of its contaminants.

Manufacturing waste
All waste generated from site is stored in designated places. Hazard waste is incinerated in certified incinerators while non-hazard waste is recycled through third party.

Retention tank
Site has fire water retention tank for collection of any big spillage thereby preventing the soil from contamination.

Waste water treatment plant
All waste water, chemical and biological is collected in the waste water treatment plant prior to treatment and release in the sewerage line. The company's management ensure that water tested by third parties comply with National Environmental Quality Standards (NEQS).

Emission
Emission from boilers and generators are regularly monitored and complies with NEQS.

Biological waste
Biological waste from microbiological laboratory is first autoclaved to kill all bacteria prior to landfill.

Hazard chemicals
All waste of hazard chemical from Quality Control are stored in an approved safety container until incinerated.

Retention bay
All hazard chemicals are stored in area having retention bay or having secondary containment to prevent the soil in case of spillage.

Directors

There was no change in the board of directors during the year ended December 31, 2009.

Compliance with the code of corporate governance

The Stock Exchanges have included in their listing rules the code of corporate governance (code) issued by the Securities & Exchange Commission of Pakistan. The company has adopted the code and is implementing the same in letter and spirit.

Statement of ethics and business practices

The board has adopted the statement of ethics and business practices. All employees are informed of this statement and are required to observe these rules of conduct in relation to customers, suppliers and regulations. A confirmation that these rules have been followed is obtained from all employees every year.

Audit committee

There was no change in the composition of audit committee during the year. In compliance with the requirements of the code for corporate governance, audit committee is composed of the following 2 non-executive directors and one alternate director:

- Mr. Syed Hyder Ali ---- Chairman
- Mr. Eric Le-Bris
- Dr. Amanullah Khan

Mr. Yasser Pirmuhammad ---- Secretary
(Head of Audit & Compliance)

Pattern of shareholding

A statement of the pattern of shareholding is shown on page 107

Earnings per share

The earnings per share after tax was Rs.17.35 (2008: Rs.3.97).

Holding company

The company is a subsidiary of SECIPE, France, holding 5,099,469 (2008: 5,099,469) ordinary shares of Rs.10 constituting 52.88% of the issued share capital of the company. The ultimate parent of the Group is sanofi-aventis S.A., France.

Auditors

The present external auditors, Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants shall retire at the conclusion of Annual General Meeting on March 29, 2010 and being eligible; offer themselves for reappointment for the year 2010. As suggested by the audit committee, the board recommends their reappointment for the year ending December 31, 2010.

Corporate and financial reporting framework

- The financial statements prepared by the management of the company present fairly it's state of affairs, the result of its operations, comprehensive income, cash-flows and changes in equity.
- Proper books of accounts of the company have been maintained.
- Accounting policies have been consistently applied in the accounts, in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment except for the change in accounting policies and disclosures upon adoption of new and amended financial reporting standards as disclosed in notes 2.4 to the financial statements. Briefly, the change in accounting policies consequent to adoption of new standards only impacts presentation aspects; therefore, there is no impact on the earnings per share.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
- The system of internal control which is in place is being continuously reviewed by internal audit and other such procedures. The process of review will continue and any weakness in controls will be removed.
- There are no significant doubts upon the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance as detailed in the listing regulations.
- Significant deviations from last year in operating results have been explained in detail together with the reasons thereof on earlier pages to this report.
- Key operating and financial data for the last 6 years is shown on pages from 110 to 114.

- The value of investments of provident, gratuity and pension funds based on their accounts (audit in progress) as at December 31, 2009 was as follows :

	Rupees in '000
Provident Fund	Rs.240,197
Gratuity Fund	Rs.171,991
Pension Fund	Rs.251,794

- The outstanding duties, statutory charges and taxes, if any, have been duly disclosed in the financial statements.
- During the last business year four meetings of the board of directors were held. Attendance by each director was as follows :

Name of director	No. of meetings attended
Syed Babar Ali	4
Tariq Wajid	4
Pir Ali Gohar	none
Syed Hyder Ali	4
Tariq Iqbal Khan	1
Jean Louis Grunwald	none
Eric Le-Bris	none
Jean-Marc Georges	none
M. Z. Moin Mohajir	4
Arshad Ali Gohar *(Alternate for Mr Pir Ali Gohar)*	3
Mohammad Amjad *(Alternate for Carmelo D'Ancona / Jean- Mark Georges)*	4
Shakeel Mapara *(Alternate for Mr. Eric Le-Bris)*	3
Dr. Amanullah Khan *(Alternate for Mr J.L.Grunwald)*	4

Leave of absence was granted to directors who could not attend the board meetings and they were represented by their respective alternates.

- No trade in the shares of the company was carried out by the directors, CEO, CFO, company secretary, executives and their spouses & minor children.
- Statement of ethics and business practices has been approved by the board and signed by all directors and employees of the company as per the requirement in the code of corporate governance.

Future outlook

New line of business, product launches and line extensions in 2010

- Vaccine business:

After the successful achievement of vaccines public market business, we are increasing our focus on private market as well. At present our vaccines private market business is at infancy stage, accordingly, our marketing team has initiated certain campaigns with particular focus on role of vaccination thereby creating awareness amongst the people on importance of vaccines in prevention and better patient management. Notwithstanding unforeseen events, we expect these initiatives will help build the concept of vaccines for all age groups and are expected to add value to the company's business activities as a whole.

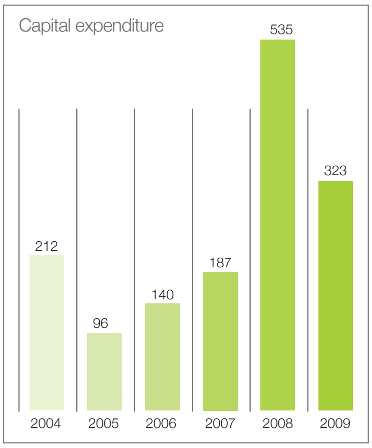
- New / generic product launches and line extensions in pharmaceuticals business:

During the year 2009, sanofi-aventis group has launched acquisition projects concerning a couple of leading generic companies in a move to accelerate sales growth and further extend its pharmaceutical portfolio in emerging markets, thus, showing group's commitment not only in the pharmacy field but also in the generic field.

We also plan to launch few more new products, including generic products and line extensions to our existing portfolio of products, during the year 2010 which we believe shall also contribute to our top line.

Capital expenditure

The company incurred capital expenditure of over Rs.1 billion in the last three years and has planned an expenditure of over Rs.300 million in the year 2010. Significant portion of the capital expenditure as mentioned above pertains to expansion, modernization, balancing, and upgrading of our production facilities.



Sales & profitability

Our performance during the year ended December 31, 2009 was quite satisfactory in terms of sales growth. Notwithstanding unforeseen events, the directors of the company are confident that the company's sales growth in the year 2010 shall be in line with the industry trend.

Although the company's management is continuously focused in taking steps to improve the performance inspite of the various business difficulties but the overall profitability is an area of concern, which we expect to be adversely impacted by further depreciation of the Pak Rupee and continued inflation prevalent in the country.

Cash flow management

The company places utmost importance to the cash flow management and regularly monitors its day to day working capital requirements. These requirements are financed internally through cash flows from operating activities and adequate committed credit facilities. The company's gearing ratio as of December 31, 2009 at 51% (2008: 44%) is the resultant of high level of spending on capital expenditure projects during the last three years. All such projects, with the exception of liquid project, have been completed and started commercial production. Also, the liquid project is expected to commence commercial production in the quarter of 2010. Thus, incremental cash flows from these projects together with the proceeds from disposal of Wah manufacturing site are expected to reduce the company's gearing as well as the associated borrowing costs significantly.

General

The board looks forward to the forthcoming Annual General Meeting of the shareholders to discuss company performance in 2009, and is profoundly thankful for the trust and confidence reposed in the board by the shareholders.

We are exceedingly grateful to our employees as good results are first and foremost due to people, and thank all the employees whose efforts played a major role in the results achieved in 2009.

By order of the board

Syed Babar Ali
Chairman

Tariq Wajid
Chief Executive

Karachi: 11th February, 2010