

Wyeth Pakistan Limited

Annual Report 2003

Mission & Vision

Mission

We bring to the world pharmaceutical and health care products that improve lives and deliver outstanding value to our customers and shareholders.

Vision

Our vision is to lead the way to a healthier world. By carrying out this vision at every level of our organization, we will be recognized by our employees, customers and shareholders as the best pharmaceutical company, resulting in value for all.

We will achieve this by:

- Leading the world in innovation by linking pharmaceutical, biotech and vaccine technologies
- Making quality, integrity and excellence hallmarks of the way we do business
- Attracting, developing and motivating the best people
- Continually growing and improving our business

Values

To achieve our mission and realize our vision, we must live by our values:

Quality

We are committed to excellence – in the results we achieve and in how we achieve them.

Integrity

We do what is right for our customers, our communities, our shareholders and ourselves.

Respect for people

We promote a diverse culture and an environment of mutual respect for our employees, our customers and our communities.

Leadership

We value people at every level who lead by example, take pride in what they do and inspire others.

Collaboration

We value teamwork – working together to achieve common goals is the foundation of our success.

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Wyeth

COMPANY INFORMATION

BOARD OF DIRECTORS

Arshad Rahim Khan

Bernard Poussot

Robert N. Power

Stephen Higgins

Baldev Arora

Khwaja Bakhtiar Ahmed

Firasat Ali

Chairman, Chief Executive & Managing Director

Alternate : Aliya Yusuf

Alternate : Dr. Munawar Ali Uqaili

Alternate : Javed Iqbal

Alternate : Humayun Nazir

Nominee of N.I.T.

COMPANY SECRETARY

Khwaja Bakhtiar Ahmed

AUDIT COMMITTEE

Javed Iqbal

Aliya Yusuf

Dr. Munawar Ali Uqaili

Chairman

BANKERS

Citibank, N.A.

Standard Chartered Bank

ABN-Amro Bank

AUDITORS

A. F. Ferguson & Co.

LEGAL ADVISORS

Orr. Dignam & Company

Syed Qamaruddin Hassan

SHARE REGISTRAR

THK Associates (Pvt) Ltd.

Ground Floor,

Shaikh Sultan Trust Building No. 2,

Beaumont Road, Karachi.

Ph. # 5689021, 5686658

HEAD OFFICE / REGISTERED OFFICE

S-33, Hawkes Bay Road, S.I.T.E.,

G.P.O. Box No. 167, Karachi.

Telephone : 2354651-61 & 111-777-333

Fax : 92-21-2354681

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Fifty Fifth Annual General Meeting of **Wyeth Pakistan Limited** will be held on Wednesday, April 28, 2004, at 11.30 a.m. at the Registered Office of the Company, S-33, Hawkes Bay Road, SITE, Karachi, to transact the following business:

ORDINARY BUSINESS :

1. To confirm the minutes of the Fifty Fourth Annual General Meeting of the Company held on April 24, 2003.
2. To receive, consider and adopt the Audited Accounts together with the Directors' and Auditors' Reports for the year ended December 31, 2003.
3. To approve payment of cash dividend @ 25% as recommended by the Directors.
4. To appoint Auditors for the year ending December 31, 2004 and to authorize Board of Directors to fix their remuneration.

By Order of the Board



KHWAJA BAKHTIAR AHMED
Director/Company Secretary

Karachi : March 31, 2004.

NOTES :

1. The Share Transfer Books of the Company will remain closed from April 28, 2004 to, May 04, 2004 (both days inclusive).
2. A member entitled to attend and vote at the above meeting may appoint a proxy to attend and vote instead of him/her. A proxy need not be a member of the Company. The completed Proxy Form must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the meeting.
3. Account holders and sub-account holders and/or the persons whose securities are in group account and holding book entry securities of the Company in Central Depository System of Central Depository Company of Pakistan Limited (CDC), who wish to attend the General Meeting are requested to please bring original I.D. Card with copy thereof duly attested or the original passport and account number in CDC for verification. In case of proxy, he/she must also produce attested copy of his/her NIC or original passport at the time of meeting.
4. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted alongwith proxy form to the Company.
5. Members are requested to promptly communicate to the Company's Registrar any change in their addresses.

DIRECTORS' REPORT

We are pleased to present you the Annual Report of the Company for the year ending December 31, 2003.

Business Overview

We are all aware that the macro economic indicators have significantly improved and created records in the economic history of the country. This has definitely stabilized general economic conditions of the country, however long term issues such as (1) non existence of a consistent price increase policy (2) delay in registration of products and (3) delay in granting price adjustment for hardship cases affecting your Company and the industry as a whole have yet to be resolved. In spite of no solution of pharmaceutical industry issues, the management of your Company continued to work hard to achieve turnaround in Company's performance. Notwithstanding the challenges being faced by the Company, your Company achieved highest ever profit before tax of **Rs. 432** million and lowest ratio of cost of goods to sales. The profit before tax was **29%** higher than last year. These milestones were the result of enduring business improvement plan implemented by the management, such as; product rationalization, departmental restructuring, encouraging talented employees, higher focus on training to office and field employees etc. The other achievements, which contributed to major upswing in the business results, were improvement in inventory built up, reduction in receivables, negotiation of better purchase prices, improvement in production processes, controlled factory overheads spending and tight control on administrative and selling expenses. The Company was also benefited due to stability of exchange rate between Rupee and U.S. Dollar.

Results of Operation

The Company's net sales declined by **2%** as compared to last year, mainly due to product rationalization and reduction in distributor's inventories to bring such inventories at desired level. While we faced difficulties in achieving ex-factory sales growth, our market sales were in line with market growth. On the other hand we maintained focus on our core and key products and achieved ex-factory high double digit sales volume growth in most of our products like, Efexor, Tazocin, Mucaine, Entox-P, Tussivil, Trihemic and Lederplex.

Gross profit appreciated by **Rs. 53** million (**8%**) mainly due to efforts made by the management for cost controlling by way of better price negotiation of materials and strict control over factory overheads despite the increase in cost of fuel, power and in certain other expenses.

Administrative and selling expenses showed reduction by **Rs. 14** million. Last year's other income was high mainly because of gain on sale of fixed assets of Lahore Plant and receipt of significant export rebate claims of prior years. In the current period it is high mainly because of booking a compensation on determined tax refunds and receipt of current and prior years export rebate claims.

We are delighted to report that the Company has no bank borrowings now and therefore, the year ended with very low financial charges. This was achievable also due to vigilant focus on cash management, better tax planning and better working capital management.

The current year earning per share of **Rs. 212.12** compared to **Rs. 172.19** and **Rs. 60.18** per share in years 2002 and 2001 respectively represent a highly remarkable jump of **23%** and **252%** over years 2002 & 2001 respectively.

The Company has made excellent growth in profitability, mainly through various measures of cost cutting, reorganization and rationalization. It will be difficult to maintain such performance in future without Government attention towards solving core issues of the pharmaceutical industry. Without fair consistent and transparent policy framework it is very difficult to formulate aggressive long-term business plans for investment and growth.

The proposed appropriation of profit of the Company is given below:

	(Rs in '000)	(Rs in '000)
Net Profit before tax and other charges		464,069
Less: Provision for:		
Workers' Profits Participation Fund	23,039	
Workers Welfare Fund	5,113	
Central Research Fund	4,346	
		32,498
		431,571
Less: Provision for Taxation		
Current year	117,324	
Prior	(3,298)	
Deferred	15,992	
		130,018
		301,553
Add: Unappropriated profit brought forward		693
		302,246
Less: Appropriations		
Proposed Dividend	35,540	
Transfer to General Reserve	266,000	
		301,540
		706
Unappropriated profit carried forward		

Prospects & Development

We are delighted to inform you that your Company has met the WHO standards of GMP and therefore qualified for addition to the Global TB Drugs Facility's (GDF) 2003/2004 lists of pre-qualified TB drug manufacturers. Now your Company's presence on the list means that your Company will be included in future invitations to tender for the supply of TB drugs for the GDF.

Notwithstanding the issues affecting industry, the management is of the view that future prospects are promising with potential for future growth in business, as in the coming years we plan to launch new products from Wyeth group portfolio.

Transfer Pricing

The Company has fully complied with the best practices on Transfer Pricing as contained in the Listing Regulations of Stock Exchanges.

Environment

Wyeth Pakistan has well - defined Corporate Environment Policy which is in practice to ensure compliance with relevant laws of National Environment Quality Standards (NEQS).

Regular monitoring of defined measures are carried out to conform to the relevant laws.

Directors

During the year Mr. Firasat Ali and Mr. Stephen Higgins joined the Board in place of Mr. Al-Malik Khoja and Mr. Mark Larsen respectively. The Board of Directors wishes to place on record appreciation of services rendered by the former Directors and welcome new Directors.

Subsequent Events

No material changes or commitments affecting financial position of the Company have taken place between the end of the financial year and the date of this report.

Audit Committee

There is no change in the Audit Committee since last year.

Auditors

M/s A.F. Ferguson & Co., Chartered Accountants were appointed as auditors of the company for the current year in the 54th Annual General Meeting held on April 24, 2003. The present Auditors, M/s A.F. Ferguson & Co. retire and being eligible offer themselves for reappointment.

Dividend

The Directors are pleased to announce the dividend of Rs. 25 being 25% on each share of Rs.100 each held at the close of the share transfer books as referred in notice of the 55th Annual General Meeting. Last dividend was declared in 2002 @ Rs.25 i.e. 25% on each share of Rs.100.

Parent Companies

Wyeth incorporated in the state of Delaware, U.S.A. holds 576,470 (40.55%) shares and Wyeth Holdings Corporation, New Jersey, U.S.A. (100% owned company of Wyeth) holds 448,560 (31.55%) shares thus the total holding is 72.10%.

Code of Corporate Governance - Statement of Directors' Responsibilities

The Securities and Exchange Commission of Pakistan (SECP) introduced in March 2002, Code of Corporate Governance to enhance the transparency and credibility in the corporate sector for listed Companies. In compliance with the Code of Corporate Governance, we give below statements on Corporate and Financial Reporting Framework:

- a) The financial statements prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- b) Proper books of accounts of the Company have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.
- d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) There are no significant doubts upon the Company's ability to continue as a going concern.
- g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

Key operating and financial data of last six years (including current year) are shown on page **38**.

There are no outstanding statutory payments on account of taxes, duties, levies and charges.

Our investments relating to pension, gratuity and provident fund as at December 31, 2003 were **Rs. 84** million (2002: Rs. 72 million), **Rs. 79** million (2002:Rs. 44 million) and **Rs. 206** (2002: Rs. 104 million) respectively, are solely invested for the purpose of employee's benefits.

During the year five board meetings were held and following were present (P) at the meeting.

No. of meetings	1	2	3	4	5
Date of Meetings	25-03-03	28-04-03	30-05-03	25-08-03	27-10-03
Directors					
Arshad Rahim Khan	P	P	P	P	P
Khwaja Bakhtiar Ahmed	P	P	P	P	P
Dr. Munawar Ali Uqaili	P	P	P	P	P
Humayun Nazir	P	P	P	P	P
Javed Iqbal	P	P	P	P	A
Aliya Yusuf	P	P	P	P	P
Al Malik Khoja *	P	P	P	P	A
Firasat Ali **					

* Left the board on November 04, 2003.

** Joined the board on November 06, 2003.

Employee Relations

We are pleased to acknowledge that the relations with employees remained congenial throughout the year. The management recognizes and records its sincere appreciation to all employees for their continued dedication, commitment and hard work for the growth and prosperity of the Company, without which these growing financial results would not have been possible. The Company strongly believes in the well being of its employees and maintaining peaceful working environment within the organization. Once again we expect the same zeal and continued commitment in years to come, as was in the past.

Earnings per share

Earnings per share after taxation is Rupees **212.12** (2002: Rupees 172.19).

Corporate Governance

A statement of compliance with the Code of Corporate Governance is attached.

Pattern of Share Holding

The pattern of shareholding is given on page **39** of this report.

By Order of the Board


Arshad Rahim Khan
 Chief Executive


Khwaja Bakhtiar Ahmed
 Director

Karachi: March 22, 2004


STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi & Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes two independent non-executive directors. The Company also has one director representing minority equity interest of Institutional Investor (NIT).
2. The directors of the Company, at the time of filing their return to act as such, have given a declaration of their consent that they are aware of their duties and powers under the Companies Ordinance, 1984 and the listing regulations of the stock exchanges.
3. All the resident directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
4. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to banking company, a DFI and NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
5. The directors, CEO and executives do not hold any interest in the shares of the Company other than disclosed in the pattern of shareholding and the spouses of all Directors are not engaged in the business of stock brokerage.
6. Casual vacancy occurred during the year have been filled within stipulated time period.
7. The directors of the Company are elected after every three years in general meeting of the shareholders.
8. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all executive directors and management employees of the Company.
9. The Company has adopted a mission, vision and values statement that has been approved by the Board and the overall corporate strategy of the Company reflect the vision and values set out in the statement. Detail of significant policies for material matters are regularly being re-evaluated and material changes in the significant policies will be placed before the Board for the approval.
10. The Board has set-up an effective internal audit function.
11. The Board has formed an audit committee. It comprises 3 members, of whom 2 are non-executive directors. The Chairman of the committee is Non-Executive Director.
12. All the powers of the Board have been duly exercised. The decisions on major transactions and the appointments of Chief Executive and Directors have been approved by the Board. The Board has also approved the Directors' remuneration.
13. The meetings of the Board were presided over by the Chairman. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

14. The Board arranges orientation courses for its directors to apprise them of their duties and responsibilities, which is ongoing process.
15. The Board has approved appointment of CFO/Company Secretary and Head of Internal Audit.
16. The directors' report for this year has been prepared in accordance with the requirements of the Code and fully describes the salient matters that are required to be disclosed.
17. CEO and CFO duly endorsed the financial statements of the Company before approval of the Board.
18. The Company has complied with all the corporate and financial reporting requirements of the Code.
19. The meetings of the Audit Committee were held atleast once in every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Audit Committee have been formed and approved by the Board of Directors.
20. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountant of Pakistan.
21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
22. I confirm that all other material principles contained in the Code have been complied with.

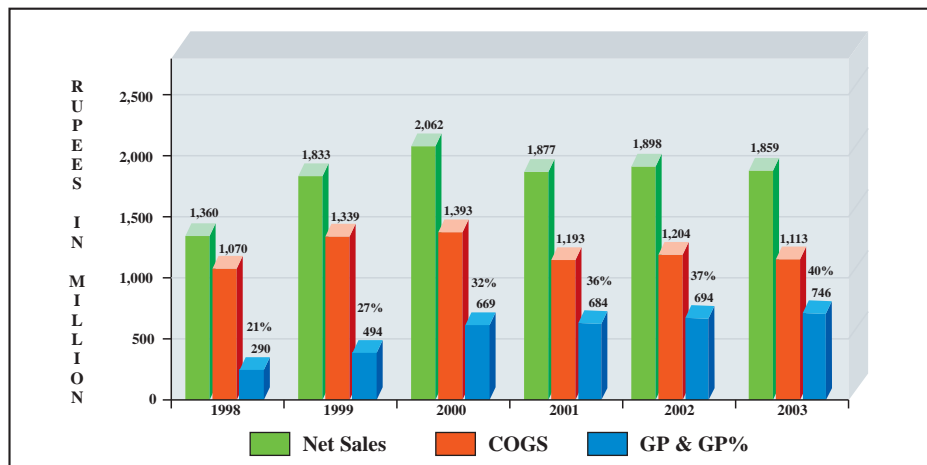

Arshad Rahim Khan
Chief Executive

Karachi: March 22, 2004

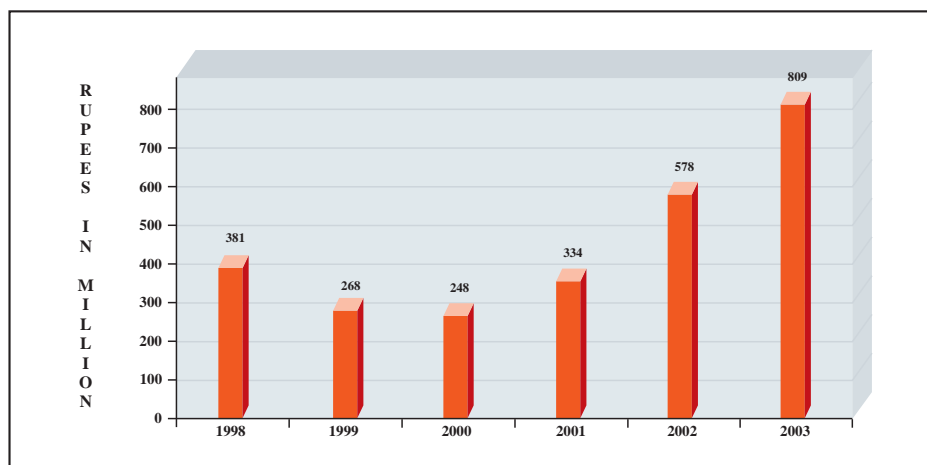
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PERFORMANCE AT A GLANCE

NET SALES, COGS & GP ANALYSIS - PHARMA BUSINESS



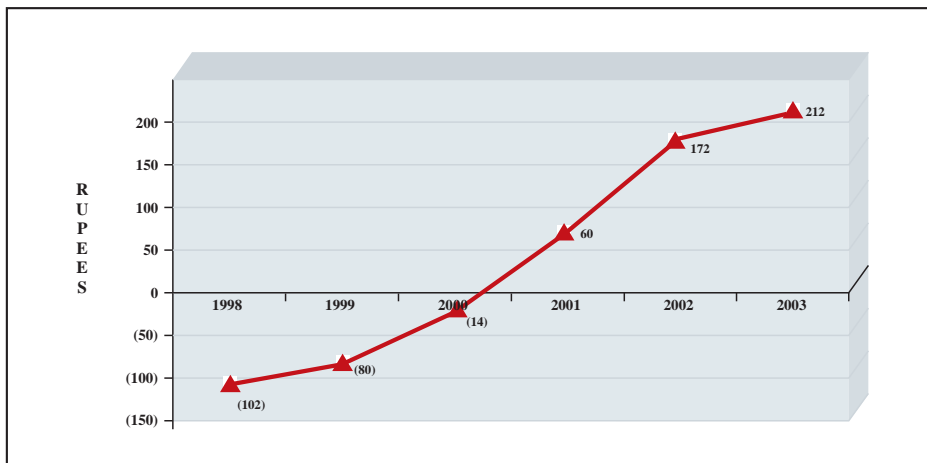
EQUITY



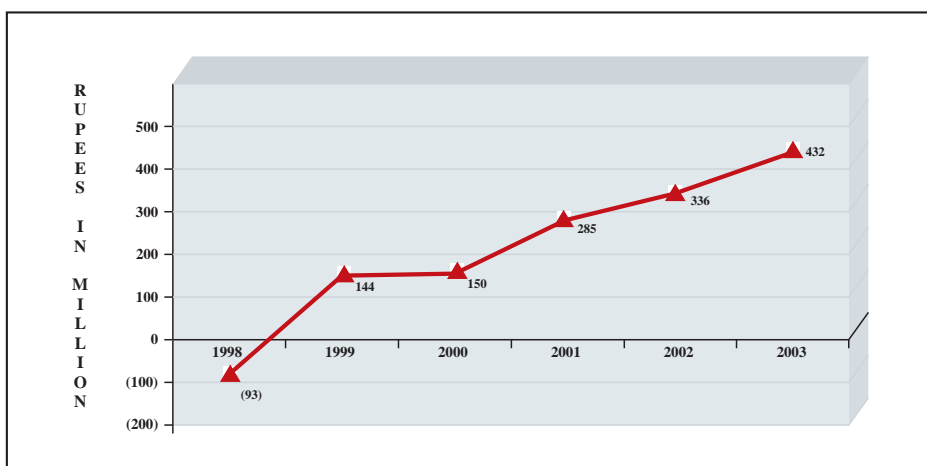
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PERFORMANCE AT A GLANCE

EARNINGS PER SHARE



PROFIT BEFORE TAX ANALYSIS - PHARMA BUSINESS



Wyeth

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Wyeth Pakistan Limited to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange and Chapter XIII of the Lahore Stock Exchange where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended December 31, 2003.



A.F. Ferguson & Co.,
Chartered Accountants

Karachi: March 22, 2004

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Wyeth Pakistan Limited** as at December 31, 2003 and the related profit and loss account, 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 accounts 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;
 - 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, 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 December 31, 2003 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980, was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.



A.F. Ferguson & Co.,
Chartered Accountants

Karachi: March 22, 2004

BALANCE SHEET as at December 31, 2003

	Note	2003	2002
(Rupees '000)			
NON CURRENT ASSETS			
Fixed Assets - Tangible			
Operating assets	3	143,172	130,500
Capital work-in-progress	4	15,842	3,411
		<u>159,014</u>	<u>133,911</u>
Long-term loans and deposits	5	11,235	13,112
Deferred taxation	6	–	12,715
		<u>170,249</u>	<u>159,738</u>
CURRENT ASSETS			
Spares	7	2,118	15,559
Stock-in-trade	8	471,063	382,384
Trade debts	9	182,462	275,117
Loans, advances, deposits, prepayments and other receivables	10	57,226	40,478
Taxation - net		130,526	200,466
Cash and bank balances	11	80,701	23,843
		<u>924,096</u>	<u>937,847</u>
LESS: CURRENT LIABILITIES			
Current maturity of liabilities against assets subject to finance lease	14	1,571	1,591
Short-term finance utilised under mark-up arrangements	12	–	174,241
Creditors, accrued and other liabilities	13	221,209	315,049
Proposed dividend		35,540	35,540
		<u>258,320</u>	<u>526,421</u>
NET CURRENT ASSETS		<u>665,776</u>	<u>411,426</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>836,025</u>	<u>571,164</u>
LESS: LONG TERM LIABILITIES			
Liabilities against assets subject to finance lease	14	2,583	3,117
Deferred taxation	6	3,277	–
Deferred liabilities	15	21,298	25,193
		<u>27,158</u>	<u>28,310</u>
Contingencies and commitments	16	–	–
NET ASSETS		<u>808,867</u>	<u>542,854</u>
FINANCED BY			
Share capital	17	142,161	142,161
Reserves	18	666,000	400,000
Unappropriated profit		706	693
		<u>808,867</u>	<u>542,854</u>

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



Arshad Rahim Khan
Chief Executive


Khwaja Bakhtiar Ahmed
Director

PROFIT AND LOSS ACCOUNT for the year ended December 31, 2003

	Note	2003	2002
(Rupees '000)			
Net sales	19	1,859,037	1,897,671
Cost of goods sold	20	1,112,799	1,204,111
Gross profit		746,238	693,560
Administrative and selling expenses	21	344,717	358,370
Operating profit		401,521	335,190
Other income	22	70,491	82,472
		472,012	417,662
Financial charges	23	7,943	30,081
Restructuring costs		–	24,896
Other charges	24	32,498	26,999
		40,441	81,976
Profit before taxation		431,571	335,686
Taxation	25		
Current - for the year		117,324	102,336
Current - for prior years		(3,298)	1,281
Deferred		15,992	(12,715)
		130,018	90,902
Profit after taxation		301,553	244,784
Unappropriated profit brought forward		693	–
Profit available for appropriation		302,246	244,784
Appropriations:			
Proposed final dividend @ Rs. 25 (2002: Rs 25) per share		(35,540)	(35,540)
Transfer to general reserve		(266,000)	(208,551)
		(301,540)	(244,091)
Unappropriated profit carried forward		706	693
		Rupees	Rupees
Earnings per share - Basic and diluted	26	212.12	172.19

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



Arshad Rahim Khan
Chief Executive


Khwaja Bakhtiar Ahmed
Director

CASH FLOW STATEMENT for the year ended December 31, 2003

	Note	2003	2002
(Rupees '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	32	393,934	269,408
Interest and mark-up paid		(4,977)	(29,392)
Income tax paid		(44,086)	(52,249)
Lease financial charges paid		(678)	(501)
Payment of gratuity and pension		(38,270)	(17,196)
		(88,011)	(99,338)
Decrease in long-term loans and deposits		1,877	2,916
Net cash inflow from operating activities		307,800	172,986
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of fixed assets		9,628	61,508
Fixed capital expenditure		(50,334)	(48,834)
Net cash (outflow on) / inflow from investing activities		(40,706)	12,674
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(35,441)	—
(Decrease) / increase in liabilities against assets subject to finance lease		(554)	2,470
Net cash (outflow on) / inflow from financing activities		(35,995)	2,470
Net increase in cash and cash equivalents		231,099	188,130
Cash and cash equivalents at the beginning of the year		(150,398)	(338,528)
Cash and cash equivalents at the end of the year	33	80,701	(150,398)

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


Arshad Rahim Khan
Chief Executive


Khwaja Bakhtiar Ahmed
Director

STATEMENT OF CHANGES IN EQUITY for the year ended 31 December, 2003

	Share capital	RESERVES			Unappropriated profit	Total
		Capital Reserve (Tax Holiday)	General Reserve	Total		
..... (Rupees '000)						
Balance at January 1, 2002	142,161	215	191,234	191,449	–	333,610
Net profit for the year	–	–	–	–	244,784	244,784
Proposed final dividend	–	–	–	–	(35,540)	(35,540)
Transfer to general reserve	–	–	208,551	208,551	(208,551)	–
Balance at January 1, 2003	142,161	215	399,785	400,000	693	542,854
Net profit for the year	–	–	–	–	301,553	301,553
Proposed final dividend	–	–	–	–	(35,540)	(35,540)
Transfer to general reserve	–	–	266,000	266,000	(266,000)	–
Balance at December 31, 2003	<u>142,161</u>	<u>215</u>	<u>665,785</u>	<u>666,000</u>	<u>706</u>	<u>808,867</u>

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


Arshad Rahim Khan
Chief Executive


Khwaja Bakhtiar Ahmed
Director

NOTES TO THE FINANCIAL STATEMENTS for the year ended December 31, 2003

1. STATUS AND NATURE OF BUSINESS

Wyeth Pakistan Limited (the Company) is a public limited company incorporated in 1949 in Pakistan. The address of its registered office is S-33, Hawkes Bay Road, S.I.T.E., Karachi, Pakistan. The Company is listed on the Karachi and Lahore Stock Exchanges. The Company is engaged in manufacturing and marketing of research based ethical specialties and other pharmaceutical products.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance

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. Approved accounting standards comprise of such International Accounting Standards (IASs) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention except that certain financial instruments have been accounted for in the financial statements on the basis of their fair values.

2.3 Fixed assets, capital work-in-progress and depreciation

(a) Owned

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

(b) Leased

The Company recognises finance leases as assets and liabilities in the balance sheet at amounts equal to the present value of the minimum lease payments. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease. Initial direct costs incurred are included as part of the cost of the asset. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(c) Depreciation

Depreciation with respect to owned and leased assets is charged to income applying the straight line method whereby the cost less residual value of an asset is written off over its estimated useful life. Depreciation on additions is charged from the month in which the asset is put to use while depreciation on assets disposed of is charged till the month of disposal.

(d) Gain/ (loss) on disposal of fixed assets

Gains or losses on disposal of fixed assets are included in income currently.

(e) Maintenance and improvements

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised.

(f) Capital work-in-progress

All expenditure connected with specific assets incurred during installation and construction period are carried under this head. These are transferred to specific assets as and when assets are available for use.

2.4 Spares, stores and loose tools

Spares are valued at cost using average method. Items in transit are valued at cost comprising invoice value and other charges incurred thereon. Provision, if any, for obsolete items is based on management's judgements.

Stores and loose tools are charged to income as and when purchased as their inventory is generally not significant.

2.5 Stock-in-trade

These have been valued as follows:

Finished goods, raw and packing material and work-in-process	:	Lower of cost, determined on a first-in-first-out basis and net realizable value (NRV). In respect of finished goods and work-in-process, cost includes direct material, direct labour and appropriate production overheads.
Physician's samples	:	At cost, determined on first-in-first-out basis.
Stock-in-transit	:	At invoice value plus other charges incurred thereon.

Provision for slow moving and obsolete stock is made on management's judgement regarding future use of the inventory.

NRV signifies the estimated selling price in the ordinary course of business less estimated costs of completion and the cost necessary to be incurred to make the sale.

2.6 Trade debts

Trade debts are stated net of provision for doubtful debts and reserve for potential expired stock claims. Provision for doubtful debts is based on management's assessment of customers' outstandings and credit worthiness. Known bad debts, if any, are written off as and when identified.

Reserve for potential expired stock claims is based on previous trends of claims made by the customers on return of expired inventory.

2.7 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and current account balances with banks net of short-term finances utilised under mark-up arrangements.

2.8 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed periodically and adjusted to reflect the current best estimate.

2.9 Liability for employees' compensated absences

The Company provides for employees' compensated absences to the extent of value of accrued leaves of the employees based on their current salary levels.

2.10 Revenue recognition

Sales are recorded on despatch of goods to customers.

2.11 Staff retirement benefits

2.11.1 Defined benefit schemes

The Company operates the following defined benefit schemes:

- An approved and funded pension scheme for management staff. Pension is payable for life and thereafter to surviving spouses and / or dependent children; and
- An approved and funded gratuity scheme for all its permanent employees.

The contributions to the above schemes are made as per the actuarial valuations carried out every year using the Projected Unit Credit Method.

Actuarial gains and losses are recognised and spread over the average remaining service lives of employees in excess of the following corridor limits, whichever is higher:

- i) 10% of the present value of the defined benefit obligations; and
- ii) 10% of the fair value of plan assets.

2.11.2 Defined contributory provident fund

The Company also operates an approved defined contributory provident fund for all eligible employees who have completed the minimum qualifying period of service. Equal contributions are made to the fund by the Company and the employees.

2.12 Taxation

Current

Provision for current taxation is based on taxable income at the current rate of taxation after taking into account tax credits and rebates available, if any.

Deferred

Deferred tax is recognised on all major temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes.

2.13 Borrowing costs

Borrowing costs are charged to income as and when incurred.

2.14 Foreign currency transactions

Transactions in foreign currencies are accounted for in rupees at the rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into rupees at the rates of exchange prevailing at the balance sheet date except for liabilities covered under forward exchange contracts which are marked to market. Any resulting gain or loss from changes in exchange rates is recognised in the profit and loss account.

2.15 Financial instruments

2.15.1 Financial assets

Financial assets are loans, advances, deposits, trade debts, other receivables and cash and bank balances. These are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts, if any.

2.15.2 Financial liabilities

Financial liabilities are classified according to the substance of the contractual agreements entered into. Significant financial liabilities are finance lease obligations, short-term finances utilized under mark-up arrangements, creditors, provisions, accrued and other liabilities, unclaimed dividends, proposed dividend and deferred liability.

2.15.3 Financial derivatives

These include foreign exchange forward contracts entered into by the Company for repayment of its foreign currency liabilities. These contracts are stated at fair market value and the gain / loss arising on marking them to market is taken to the profit and loss account.

2.15.4 Off setting

Financial assets and liabilities are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

3. OPERATING FIXED ASSETS

3.1 The following is a statement of operating fixed assets:

	COST			ACCUMULATED DEPRECIATION			Net book value as at December 31, 2003	Rate of depreciation %		
	As at January 1, 2003	Additions	Disposals inter category * transfers **adjustments	As at December 31, 2003	As at January 1, 2003	For the year			On disposals inter category * transfers **adjustments	
.....(Rupees '000).....										
Owned										
Leasehold land	258	-	-	258	-	-	-	258	-	
Building on leasehold land										
Factory	37,670	854	(196) *	38,328	(19,339)	(1,561)	101 *	(20,799)	17,529	2.5 - 10
Warehouse	2,035	-	125 *	2,160	(1,509)	(40)	(59) *	(1,608)	552	2.5
Plant and machinery	230,048	22,888	(10,979) * (16,994) *	224,963	(142,346)	(11,118)	10,894 11,185 *	(131,385)	93,578	10
Furniture, fixture and equipment	68,990	3,665	(30,684) 17,065 * (63) **	58,973	(56,230)	(6,221)	30,017 (11,227) * 35 **	(43,626)	15,347	10 - 33
Vehicles	18,489	6,567	(6,294) 905 *	19,667	(11,172)	(3,031)	5,421 (556) *	(9,338)	10,329	20
	357,490	33,974	(47,957) 905 * (63) **	344,349	(230,596)	(21,971)	46,332 (556) * 35 **	(206,756)	137,593	
Assets acquired under finance lease										
Vehicles	5,910	3,957	(905) *	8,962	(2,304)	(1,635)	556 *	(3,383)	5,579	20
2003	363,400	37,931	(47,957) - * (63) **	353,311	(232,900)	(23,606)	46,332 - * 35 **	(210,139)	143,172	
2002	380,024	58,973	(73,853) - * (1,744) **	363,400	(264,511)	(26,355)	56,222 - * 1,744 **	(232,900)	130,500	

3.2 The depreciation charge for the year has been allocated as under:

	Note	2003 (Rupees '000)	2002
Manufacturing cost	20	13,634	16,542
Administrative and selling expenses	21	9,972	9,520
Restructuring costs		-	293
		<u>23,606</u>	<u>26,355</u>

- 3.3** The above operating fixed assets include certain items of plant and machinery and equipment costing **Rs. 1.133** million (2002: Rs. 9.939 million), which are no longer in use and are now held for disposal. The management is confident that the realisable values of these items are more than their net book values.
- 3.4** The above includes fixed assets costing **Rs. 125.780** million (2002: Rs. 166.135 million) at cost which are fully depreciated as of December 31, 2003 but are still in active use.
- 3.5** The following fixed assets were disposed of during the year:

	Cost	Accu- mulated depre- ciation	Book value	Sales proceeds	Gain / (Loss)	Mode of disposal	Particulars of purchasers
..... (Rupees '000)							
Plant and machinery							
	1,090	1,037	53	1,670	1,617	Negotiation	M/s. Anglo Pak Pharmaceuticals
	2,794	2,794	-	500	500	Negotiation	M/s. Karachi Bottle Supply Company
	3,760	3,760	-	2,700	2,700	Negotiation	M/s. Searle Pakistan Limited
	3,335	3,303	32	-	(32)	Written-off	
	10,979	10,894	85	4,870	4,785		
Furniture, fixture and equipment							
	625	625	-	100	100	Negotiation	M/s. Flash Pharmaceuticals
	877	877	-	505	505	Negotiation	M/s. Platinum Pharmaceuticals
	29,182	28,515	667	-	(667)	Written-off	
	30,684	30,017	667	605	(62)		
Vehicles							
	3,077	3,077	-	1,631	1,631	Tender	Mr. Mohammed Adeel Akhter
	573	573	-	516	516	Tender	Mr. Mohammed Adeel Akhter
	865	681	184	728	544	Tender	Mr. Mohammed Adeel Akhter
	805	516	289	485	196	Negotiation	Mr. S. Anwar-ul-Hasan (Ex-employee)
	69	18	51	61	10	Negotiation	Mr. Amir Jamil (Employee)
	905	556	349	732	383	Tender	Mr. Muhammed Hussain
	6,294	5,421	873	4,153	3,280		
2003	47,957	46,332	1,625	9,628	8,003		
2002	73,853	56,222	17,631	61,508	43,877		

4. CAPITAL WORK-IN-PROGRESS

Plant and machinery
Leased assets
Advances to suppliers

2003 **2002**
(Rupees '000)

12,846	952
-	2,459
2,996	-
15,842	3,411

	Note	2003	2002
		(Rupees '000)	
5. LONG-TERM LOANS AND DEPOSITS			
Long-term loans - considered good due from			
- Executives		7,162	9,853
- Employees		6,200	5,145
	5.1	<u>13,362</u>	<u>14,998</u>
Less: Receivable within one year	10	<u>5,066</u>	<u>5,001</u>
		8,296	9,997
Deposits		<u>2,939</u>	<u>3,115</u>
		<u>11,235</u>	<u>13,112</u>
5.1 These represent interest free loans to executives and employees for purchase of motor cars, motor cycles, home appliances and for house building in accordance with the Company's policy and are recoverable in two to six years in monthly installments. Vehicles purchased under this scheme are registered in the name of the Company and the title is transferred when the loan is fully repaid. The remaining loans are secured against the employees' retirement benefits.			
5.2 The maximum aggregate amount due from executives at the end of any month during the year was Rs. 9.590 million (2002: Rs. 12.26 million).			
5.3 Aggregate amount of loans outstanding for period exceeding three years is Rs. 1.815 million (2002: Rs. 1.826 million).			
6. DEFERRED TAXATION			
Deferred liability arising in respect of tax depreciation allowances		(16,308)	(6,295)
Deferred asset in respect of certain short-term provisions		13,031	19,010
		<u>(3,277)</u>	<u>12,715</u>
7. SPARES			
Spares		<u>2,118</u>	<u>15,559</u>

Wyeth

	Note	2003	2002
(Rupees '000)			
8. STOCK-IN-TRADE			
Raw and packing material	8.1	294,867	227,071
Work-in-process	8.1	19,416	26,852
Finished goods			
At cost	8.2	127,064	75,398
At net realizable value (Cost Rs. 9.075 million 2002: Rs. 2.812 million)		6,015	2,583
Stock-in-transit		32,450	61,376
		479,812	393,280
Less: Provision for obsolete stocks		8,749	10,896
		471,063	382,384

8.1 Raw and packing materials and work-in-process include **Rs. 61.856** million (2002: Rs. 55.016 million) and **Rs. 5.196** million (2002:Rs 4.826 million) respectively held with Macter International (Pvt.) Ltd., Spencer Pharma (Pvt.) Ltd. and Reko Pharmacal (Pvt.) Ltd. for toll manufacturing purposes.

8.2 Includes physician's samples of **Rs. 10.177** million (2002: Rs 9.392 million).

9. TRADE DEBTS

Considered good - unsecured			
- from associated undertakings	9.1	13,360	10,487
- others		189,665	284,813
		203,025	295,300
Considered doubtful		8,889	10,052
		211,914	305,352
Less: Provision for doubtful debts		8,889	10,052
Less: Reserve for potential expired stock claims		20,563	20,183
		182,462	275,117

9.1 The maximum aggregate amount due from associated undertakings at the end of any month during the year was **Rs. 20.813** million (2002: Rs. 25.350 million). The amount receivable as at December 31, 2003 relates to Wyeth Philippines and Wyeth Ayerst Lederle Inc. amounting to **Rs. 12.617** million and **Rs. 0.742** million (2002: Wyeth Phillipines Inc. Rs. 8.153 and Wyeth Hong Kong Ltd Rs. 2.333 million) respectively.

	Note	2003	2002
		(Rupees '000)	
10. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Current portion of long-term loans - considered good			
- Executives		3,193	3,353
- Employees		1,873	1,648
		<u>5,066</u>	<u>5,001</u>
Advances - unsecured, considered good			
- Suppliers		3,064	2,308
- For expenses	10.1	5,647	4,704
- Employees		1,573	1,310
- Others		244	118
		10,528	8,440
Deposits		6,546	10,732
Prepayments		2,918	396
Other receivables			
- Sales tax refundable on pharmaceutical products		14,727	13,468
- Margin deposits for guarantees and letters of credit	10.2	13,863	728
- Insurance claims receivable		908	-
- Balances with statutory authorities for customs duty, excise duty and sales tax		1,527	1,629
- Others		1,143	84
		32,168	15,909
		<u>57,226</u>	<u>40,478</u>

10.1 The aggregate amount of advances for expenses due from the chief executive, director and executives at the end of the year were **Rs. 265, Rs. Nil** and **Rs. 2,675** thousand (2002: Rs. 191, Rs. Nil and Rs. 1,540 thousand) respectively. The maximum aggregate amount of advances due from the chief executive, director and executives at the end of any month during the year were **Rs. 368** thousand, **Rs. 2** thousand and **Rs. 3,542** thousand (2002: Rs. 318 thousand, Rs. 1 thousand and Rs. 4,373 thousand) respectively.

10.2 This represents deposit held by a bank as margin against guarantees and letters of credit issued on behalf of the Company.

11. CASH AND BANK BALANCES

With banks			
- in current accounts		7,116	23,397
- in savings accounts		73,517	91
Cash in hand		68	355
		<u>80,701</u>	<u>23,843</u>

12. SHORT-TERM FINANCE UTILISED UNDER MARK-UP ARRANGEMENTS - unsecured

The Company has no borrowing at the end of the year. However, the Company has an omnibus banking facility amounting to **Rs. 697.05** million (2002: Rs. 697.05 million) from a commercial bank under mark-up arrangement. The facility carries mark-up at 22 paisas per Rs 1,000 per day. The facility will expire in March 2004 and is renewable subject to payment of repurchase price by the specified dates. The arrangement is secured by way of letter of comfort from the parent company.

Note	2003	2002
------	------	------

(Rupees '000)

13. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors		51,226	30,540
Bills payable	13.1	82,262	84,967
Advances from customers		–	34,845
Accrued liabilities		41,681	46,498
Interest on short-term loan		–	42,113
Mark-up on short-term running finance		2	780
Payable to defined benefit gratuity fund	28	5,480	32,492
Workers' welfare fund		8,755	13,280
Contribution payable to Sind Employees Social Security Institution		11	7
Workers' profit participation fund	13.2	23,039	18,003
Central research fund		4,347	3,391
Unclaimed dividend		640	541
Others		3,766	7,592
		<u>221,209</u>	<u>315,049</u>

13.1 Includes due to associated undertakings amounting to **Rs. 48.9** million (2002: Rs. 67.913 million).

13.2 Workers' Profit Participation Fund

Balance at January 1		18,003	15,484
Allocation for the year	24	<u>23,039</u>	<u>18,003</u>
		41,042	33,487
Interest on funds utilised in the Company's business	23	<u>1,063</u>	<u>775</u>
		42,105	34,262
Less: Payments made during the year		19,066	16,259
Balance at December 31		<u>23,039</u>	<u>18,003</u>

14. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The Company has entered into leasing arrangements with various leasing companies for acquisition of vehicles. The total lease rentals due under the various lease agreements aggregated to **Rs. 4.154** million (2002: Rs. 4.708 million) and are payable in quarterly installments latest by October 2006. Finance charge for these leases range from 11.90 to 17.01 percent per annum. Certain overdue rental payments are also subject to additional charge of 3 percent per month. Taxes, repairs, replacement and insurance costs are to be borne by the lessee. The Company intends to exercise its option to purchase the leased vehicles at the end of the lease terms.

2003 **2002**
(Rupees '000)

The movement in the finance lease liability is as follows:

Balance at beginning of the year	4,708	2,238
Assets acquired during the year	1,498	4,854
	<u>6,206</u>	<u>7,092</u>
Less: Payments made during the year	1,902	2,413
Adjustments	150	(29)
	<u>2,052</u>	<u>2,384</u>
	4,154	4,708
Less: Current portion of the liabilities	1,571	1,591
	<u>2,583</u>	<u>3,117</u>

14.1 The future minimum lease payments and their present value, to which the Company is committed under lease agreements, are as follows:

Year	As at 31 December 2003			As at 31 December 2002		
	Future lease rentals	Future financial charges	Present value	Future lease rentals	Future financial charges	Present value
(Rupees '000).....					
2003	-	-	-	2,163	572	1,591
2004	2,033	462	1,571	1,616	352	1,264
2005	1,804	260	1,544	1,387	188	1,199
2006	1,104	65	1,039	689	35	654
	<u>4,941</u>	<u>787</u>	<u>4,154</u>	<u>5,855</u>	<u>1,147</u>	<u>4,708</u>

2003 **2002**
(Rupees '000)

15. DEFERRED LIABILITIES

Accumulated compensated absences

21,298 25,193

16. CONTINGENCIES AND COMMITMENTS

- Claims against the Company not acknowledged as debts

10,031 -

- Commitments for capital expenditure

10,124 5,485

- Guarantees issued mainly for Collector of Customs against duty of imported raw materials

30,669 52,405

- Letters of credit outstanding

30,537 48,987

			2003	2002
			(Rupees '000)	
17. SHARE CAPITAL				
Authorised				
5,000,000 ordinary shares of Rs 100 each			500,000	500,000
Issued, subscribed and paid-up capital				
2003	2002	Ordinary shares of Rs 100 each		
386,711	386,711	shares fully paid in cash	38,671	38,671
477,493	477,493	shares issued as fully paid for consideration other than cash	47,749	47,749
557,405	557,405	shares issued as fully paid bonus shares	55,741	55,741
<u>1,421,609</u>	<u>1,421,609</u>		<u>142,161</u>	<u>142,161</u>

Wyeth, USA and Wyeth Holdings Corporation, USA held **576,470** (2002: 576,470) and **448,560** (2002: 448,560) shares of Rs 100/- each respectively as on December 31, 2003.

18. RESERVES

	Revenue reserve	Capital reserve	2003	2002
(Rupees '000)				
Balance at beginning of the year	399,785	215	400,000	191,449
Transferred from profit and loss account	266,000	–	266,000	208,551
Balance at end of the year	<u>665,785</u>	<u>215</u>	<u>666,000</u>	<u>400,000</u>

19. NET SALES

	2003	2002
(Rupees '000)		
Sales - Domestic	1,746,652	1,801,349
- Export	138,576	131,578
	1,885,228	1,932,927
Less: Discounts, returns and commission	26,191	35,256
Net sales	<u>1,859,037</u>	<u>1,897,671</u>

	2003	2002
	(Rupees '000)	
20. COST OF GOODS SOLD		
Opening stock of raw and packing material	227,071	244,404
Purchases	901,195	817,768
Closing stock of raw and packing material	(294,867)	(227,071)
Raw and packing materials consumed	833,399	835,101
Stores and spare parts consumed	23,059	4,890
Salaries, wages and other benefits	125,547	125,839
Fuel and power	15,829	13,471
Rent, rates and taxes	1,265	1,247
Insurance	958	1,114
Repairs and maintenance	9,814	6,498
Production and other supplies	10,412	8,518
Postage, communication and stationery	2,071	1,169
Depreciation	13,634	16,542
Travelling and vehicles running expenses	4,468	3,127
Outside manufacturing charges	53,109	70,199
Others	4,139	3,668
	264,305	256,282
Manufacturing cost	1,097,704	1,091,383
Opening stock of work-in-process	26,852	51,960
Closing stock of work-in-process	(19,416)	(26,852)
Cost of goods manufactured	1,105,140	1,116,491
Opening stock of finished goods	77,981	120,471
Purchase of finished goods	92,399	71,656
Physician samples charged to advertising and sales promotion	(29,642)	(26,526)
Closing stock of finished goods	(133,079)	(77,981)
	1,112,799	1,204,111
20.1 Includes the following in respect of employee benefits:		
Defined benefit pension scheme	993	672
Defined benefit gratuity scheme	3,214	4,069
Defined contributory provident fund	3,215	3,112
Compensated absences	326	2,594
	7,748	10,447

	Note	2003	2002
(Rupees '000)			
21. ADMINISTRATIVE AND SELLING EXPENSES			
Salaries, wages and other benefits	21.1	123,846	125,940
Fuel and power		3,834	3,353
Rent, rates and taxes		2,049	2,022
Sales tax		–	25,759
Insurance		2,477	3,586
Repairs and maintenance		3,606	3,628
Dues and subscription		6,147	5,637
Transportation		13,731	11,290
Travelling and living		45,833	43,758
Postage, communication and stationery		13,742	13,008
Provision for doubtful debts		–	3,300
Legal and professional charges		2,903	4,611
Auditors' remuneration	21.2	1,637	1,483
Depreciation	3.2	9,972	9,520
Training and development		1,989	559
Advertising and sales promotion		91,935	84,324
Shipping and packing cartons consumed		13,436	14,658
Others	21.3	7,580	1,934
		344,717	358,370
21.1 Includes the following in respect of employee benefits:			
Defined benefit pension scheme		2,805	1,710
Defined benefit gratuity scheme		4,246	6,139
Defined contributory provident fund		3,657	3,810
Compensated absences		(1,146)	2,105
		9,562	13,764
21.2 Auditors' Remuneration			
Audit fee - annual		450	400
Audit fee - half yearly review		150	150
Audit of employees' funds, special certification and advisory services		60	185
Tax services		875	654
Out of pocket expenses		102	94
		1,637	1,483
21.3	Includes donations amounting to Rs Nil (2002: Rs 50 thousand).		

	Note	2003	2002
(Rupees '000)			
22. OTHER INCOME			
Profit on disposal of fixed assets	3.5	8,003	43,877
Scrap sales		1,978	1,706
Net exchange gain		3,368	1,637
Compensation on income tax refunds		30,707	–
Interest income		51	44
Export rebate claims		17,784	26,268
Sales tax refund		2,613	–
Liabilities no longer required written back		5,987	8,702
Others		–	238
		70,491	82,472
23. FINANCIAL CHARGES			
Finance lease charges		678	501
Mark-up on running finances		4,199	27,292
Interest on Workers' Profit Participation Fund	13.2	1,063	775
Bank charges		2,003	1,513
		7,943	30,081
24. OTHER CHARGES			
Workers' profits participation fund	13.2	23,039	18,003
Workers' welfare fund		5,113	5,605
Central research fund		4,346	3,391
		32,498	26,999
25. TAXATION			

The income tax assessments of the Company have been finalized upto and including the year ended December 31, 2002. While finalizing the assessments of the Company, the tax authorities have made arbitrary additions and disallowances to taxable income and raised additional tax demand of Rs 321.472 million. The additional tax demand has arisen mainly due to the following:

- The assessing officer has made additions to the income based on the contention that the Company has allegedly paid excessive amount on import of raw materials.
- The assessing officer also charged tax on purchases and sales transactions related to agriculture business of the Company under presumptive tax regime by treating all purchases as commercial imports.
- The assessing officer also charged tax on gain on sale of its agriculture business and has further disallowed expenses attributed to that segment of business arbitrarily.

Although the Company has filed appeals with various appellate authorities, it has, as a matter of prudence, made a provision of Rs. 168.683 million against the above demands. The management is confident that on the merit of the case, the ultimate decision will be in the Company's favour.

	Note	2003 (Rupees '000)	2002
25.1 Relationship between tax expense and accounting profit			
Accounting profit before taxation		431,571	335,686
Tax rate		35%	35%
Tax on accounting profit		151,050	117,490
Tax for prior years		(3,298)	1,281
Tax effect of:			
- Expenses that are not deductible in determining taxable profit		2,450	(755)
- Applying lower tax rates to certain income		(11,978)	(8,128)
- Export rebate		(6,225)	-
- Prior year deferred taxation recognised during the current year		-	(7,482)
- Certain allowances claimed in the current year which were not included in deferred tax calculation		-	(8,959)
- Others items		(1,981)	(2,545)
		130,018	90,902
26. EARNINGS PER SHARE			
Profit after taxation		301,553	244,784
		Number	
Average number of ordinary shares		1,421,609	1,421,609
		Rupees	
Earnings per share - Basic and diluted		212.12	172.19

27. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the year for remuneration including certain benefits, to the chief executive and directors of the Company are as follows:

	2003			2002		
	CHIEF EXECUTIVE	DIRECTOR	EXECUTIVES	CHIEF EXECUTIVE	DIRECTOR	EXECUTIVES
(Rupees '000)					
Managerial remuneration	4,039	2,854	116,394	3,907	2,962	118,883
Retirement benefits	610	386	13,369	577	376	13,216
Utilities	286	101	4,936	276	66	4,682
Medical expenses	142	25	7,460	51	35	6,586
	5,077	3,366	142,159	4,811	3,439	143,367
Number of persons	1	1	266	1	1	265

In addition to the above, the chief executive, director and some of the executives are provided with Company owned and maintained cars and their residential telephone bills are also paid by the Company.

27.1 Remuneration of executives also includes the remuneration paid to 2 alternate directors.

27.2 Aggregate amount charged in the financial statements for fees to 3 Directors was **Rs. 115,000** (2002: Rs 1,000).

28. DEFINED BENEFIT PLANS

As mentioned in note 2.11.1, the Company operates approved funded pension and gratuity schemes. The latest actuarial valuations of the schemes were carried out as at December 31, 2003. Projected Unit Credit method using the following significant assumptions was used for these valuations:

Discount rate	7 % per annum
Expected rate of return on plan assets	7 % per annum
Expected rate of increase in salary	7 % per annum

28.1 The movements in the liability recognised in the balance sheet were as follows:

	Gratuity	Pension
	(Rupees '000)	
Opening liability	32,492	–
Expense recognised during the year	7,460	3,798
Contribution during the year	(34,472)	(3,798)
Closing liability	<u>5,480</u>	<u>–</u>

28.2 The fair value of the schemes' assets and liabilities for past services of the employees at the latest valuation date were as follows:

Present value of defined benefit obligation	96,179	95,548
Fair value of plan assets	<u>(86,960)</u>	<u>(95,588)</u>
	9,219	(40)
Unrecognised actuarial (loss) / gain	(3,739)	40
Net liability recognised at the balance sheet date	<u>5,480</u>	<u>–</u>

28.3 The following costs were recognised during the year 2003

Service cost	4,818	2,857
Interest cost	5,837	5,811
Expected return on assets	(3,195)	(5,068)
Amortisation of loss	–	198
Net cost to the Company for 2003	<u>7,460</u>	<u>3,798</u>

	2003	2002
	(Rupees '000)	
29. TRANSACTIONS WITH ASSOCIATED COMPANIES		
Aggregate amount in respect of:		
Purchases made	113,161	138,611
Sales made	133,045	122,751

The Company enters into transactions with related parties for the sales of its products and purchase of raw materials and finished goods. These transactions are based on transfer pricing policy under which all transactions are carried out on arm's length basis determined as per the prescribed methods under the Companies Ordinance, 1984.

30. CAPACITY

In view of the varying manufacturing process and multiple products, the annual capacity of the plant production cannot be determined.

	2003	2002
31. NUMBER OF EMPLOYEES		
Total number of employees at the year end	558	569

	2003	2002
	(Rupees '000)	
32. CASH GENERATED FROM / (USED IN) OPERATIONS		
Profit before taxation	431,571	335,686
Add/(less): Adjustments for non-cash charges and other items		
Depreciation	23,606	26,355
Provision for staff gratuity and pension	11,258	12,590
Write back of obsolete stock	(2,147)	(2,778)
(Write back of) / provision for compensated absences - net	(3,895)	260
(Write back of) / provision for doubtful debts	(1,163)	3,300
Provision for expired stock claims	380	20,183
Interest and mark-up expenses	4,199	27,292
Lease finance charges	678	501
Gain on disposal of fixed assets	(8,003)	(43,877)
	24,913	43,826
Profit before working capital changes	456,484	379,512
Effect on cash flow due to working capital changes		
(Increase)/decrease in current assets		
Spares	13,441	(2,299)
Stock-in-trade	(86,532)	105,528
Trade debts	93,438	(124,128)
Loans, advances, deposits, prepayments and other receivables	(16,748)	(1,949)
	3,599	(22,848)
Increase/(decrease) in current liabilities		
Creditors, accrued and other liabilities	(66,149)	(87,256)
	(62,550)	(110,104)
Cash generated from operations	393,934	269,408

	2003	2002
	(Rupees '000)	
33. CASH AND CASH EQUIVALENTS		
Cash and bank balances	80,701	23,843
Short-term running finance under mark-up arrangements	-	(174,241)
	80,701	(150,398)
	80,701	(150,398)

34. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURE

34.1 Interest rate risk exposure

The information relating to the Company's exposure to interest rate risk based on maturity dates is as follows:

	Interest bearing			Non-Interest bearing			Total
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
.....(Rupees '000).....							
Financial Assets - recognised							
Loans and advances	-	-	-	5,066	8,296	13,362	13,362
Deposits	-	-	-	6,546	2,939	9,485	9,485
Trade debts	-	-	-	182,462	-	182,462	182,462
Other receivables	-	-	-	1,387	-	1,387	1,387
Cash and bank balances	73,517	-	73,517	7,184	-	7,184	80,701
	73,517	-	73,517	202,645	11,235	213,880	287,397
Financial Liabilities-recognised							
Lease liabilities	1,571	2,583	4,154	-	-	-	4,154
Creditors, accrued, provisions and other liabilities	-	-	-	185,057	-	185,057	185,057
Proposed dividend	-	-	-	35,540	-	35,540	35,540
Deferred liabilities	-	-	-	-	21,298	21,298	21,298
	1,571	2,583	4,154	220,597	21,298	241,895	246,049
On-balance sheet gap							
Liabilities-Assets	(71,946)	2,583	(69,363)	17,952	10,063	28,015	(41,348)
	(71,946)	2,583	(69,363)	17,952	10,063	28,015	(41,348)

The rate profile of interest bearing liability is given in note 14 to these financial statements.

34.2 Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if the counterparty failed completely to perform as contracted. Financial instruments that potentially subject the Company to concentration of credit risk are trade debts. The Company's products are sold to distributors, dealers and Government organisations. The Company continuously assesses the credit worthiness of its customers. Due to the large number and diversity of the Company's customer base, concentration of credit risk with respect to trade debts is limited.

The Company invests its available cash and cash equivalents with banks.

34.3 Foreign exchange risk management

Foreign currency risk arises mainly when receivables and payables exist due to transactions entered into foreign currencies. The Company's foreign currency risk relates to buying, selling and financing in currencies other than Pak Rupees. The risk is managed by obtaining foreign exchange contracts with banks where considered necessary by the management based on its assessment of fluctuation in rates.

34.4 Liquidity risk

The Company implies prudent risk management policies by maintaining sufficient cash and bank balances and by keeping committed credit lines.

34.5 Fair value of financial instruments

The major portion of the Company's financial instruments are short term in nature and would be settled in the near future. The fair values of these instruments are not materially different from their carrying values.

35. DATE OF AUTHORISATION OF ISSUE

These financial statements were authorised for issue on March 22, 2004 by the Board of Directors of the Company.

36. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison.



Arshad Rahim Khan
Chief Executive



Khwaja Bakhtiar Ahmed
Director

Wyeth

SIX YEARS AT A GLANCE from 1998 to 2003

(Rupees '000)

	1998	1999	2000	2001	2002	2003
Sales - net	2,007,853	2,286,040	2,100,840	1,876,558	1,897,671	1,859,037
Cost of goods sold	1,585,125	1,767,000	1,477,746	1,192,858	1,204,111	1,112,799
Gross profit	422,728	519,040	623,094	683,700	693,560	746,238
Administration, selling and distribution expenses	444,564	467,618	443,474	322,222	358,370	344,717
Other charges including financial charges & restructuring costs	100,153	146,973	192,874	122,866	81,976	40,441
Other income	5,423	10,610	5,785	46,698	82,472	70,491
Profit / (loss) before taxation	(116,566)	(84,941)	(7,469)	285,310	335,686	431,571
Taxation	28,065	28,123	12,613	199,753	90,902	130,018
Profit / (loss) after taxation	(144,631)	(113,064)	(20,082)	85,557	244,784	301,553
Shareholders' equity	381,199	268,135	248,053	333,610	578,394	808,867
Fixed assets and capital work-in-progress	170,373	157,617	101,402	129,063	133,911	159,014
Current assets	1,422,199	1,657,574	1,677,155	962,128	915,935	924,096
Current liabilities	1,173,099	1,510,997	1,484,304	710,441	504,509	258,320
Current ratio (No. of times)	1.21	1.10	1.13	1.35	1.82	3.58
Dividend pay out percentage	NIL	NIL	NIL	NIL	25%	25%

wyeth

PATTERN OF SHAREHOLDING as of December 31, 2003

NO. OF SHAREHOLDERS	HAVING SHARES FROM	TO	SHARES HELD	PERCENTAGE
568	1	100	12714	0.89
84	101	500	19166	1.35
12	501	1000	8539	0.60
18	1001	5000	39240	2.76
1	5001	10000	5600	0.39
1	10001	15000	10209	0.72
1	30001	35000	33100	2.34
1	40001	45000	41505	2.92
1	225001	230000	226506	15.93
1	445001	450000	448560	31.55
1	575001	580000	576470	40.55
<u>689</u>			<u>1421609</u>	<u>100.00</u>

CATEGORIES OF SHAREHOLDERS as of December 31, 2003

PARTICULARS	SHAREHOLDERS	SHAREHOLDING	PERCENTAGE
INDIVIDUALS	661	60769	4.27
INVESTMENT COMPANIES	2	9700	0.68
INSURANCE COMPANIES	3	54529	3.84
JOINT STOCK COMPANIES	12	1026819	72.23
FINANCIAL INSTITUTIONS	7	266172	18.72
OTHERS	3	3490	0.25
NON-RESIDENT	1	130	0.01
COMPANY TOTAL	<u>689</u>	<u>1421609</u>	<u>100.00</u>

CATEGORIES OF SHAREHOLDERS as of December 31, 2003

Information under clause xix (i) of the Code of Corporate Governance

Category No.	Categories of Shareholders	Number of shares held	Percentage
1	Associated Companies, undertakings and related parties	Nil	Nil
2	NIT / ICP		
	Investment Corporation of Pakistan	214	0.0150
	Unit Trust of Pakistan	33100	2.3283
	National Bank of Pakistan (Trustee Department)	231133	16.2585
3	Directors, Chief Executive and their spouses and minor children		
	Khwaja Bakhtiar Ahmed	20	0.0014
4	Executives	Nil	Nil
5	Public Sectors Companies and Corporations		
	Golden Arrow Selected Stock Fund Limited	4100	0.2884
	BSJS Balanced Fund Limited	5600	0.3939
6	Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds		
	State Life Insurance Corporation of Pakistan	51714	3.6377
	Bankers Equity Limited	41	0.0028
	National Development Finance Corporation	1684	0.1184
	New Jubilee Insurance Company Limited	2815	0.1980
7	Shareholders holding ten percent or more voting interest in the Listed Company		
	Wyeth	576470	40.5505
	Wyeth Holdings Corporation, U.S.A	448560	31.5529
	National Bank of Pakistan (Trustee Department)	231133	16.2585

The Chief Executive, Directors, CFO, their spouse and minor children have made no sale / purchase of Company's shares during the year ended December 31, 2003.

FORM OF PROXY

I, We _____ of _____
_____ (full address) being a member of **Wyeth 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 Fifty Fifth Annual
General Meeting of the Company to be held on Wednesday, April 28, 2004 at 11:30 a.m. and at any
adjournment thereof.

As witness my/our hand this _____ day of _____ 2004 signed
by _____ in presence of _____

Please affix
Revenue
Stamp of
Rs. 5.00

Signature and address of Witness

Signature of Member

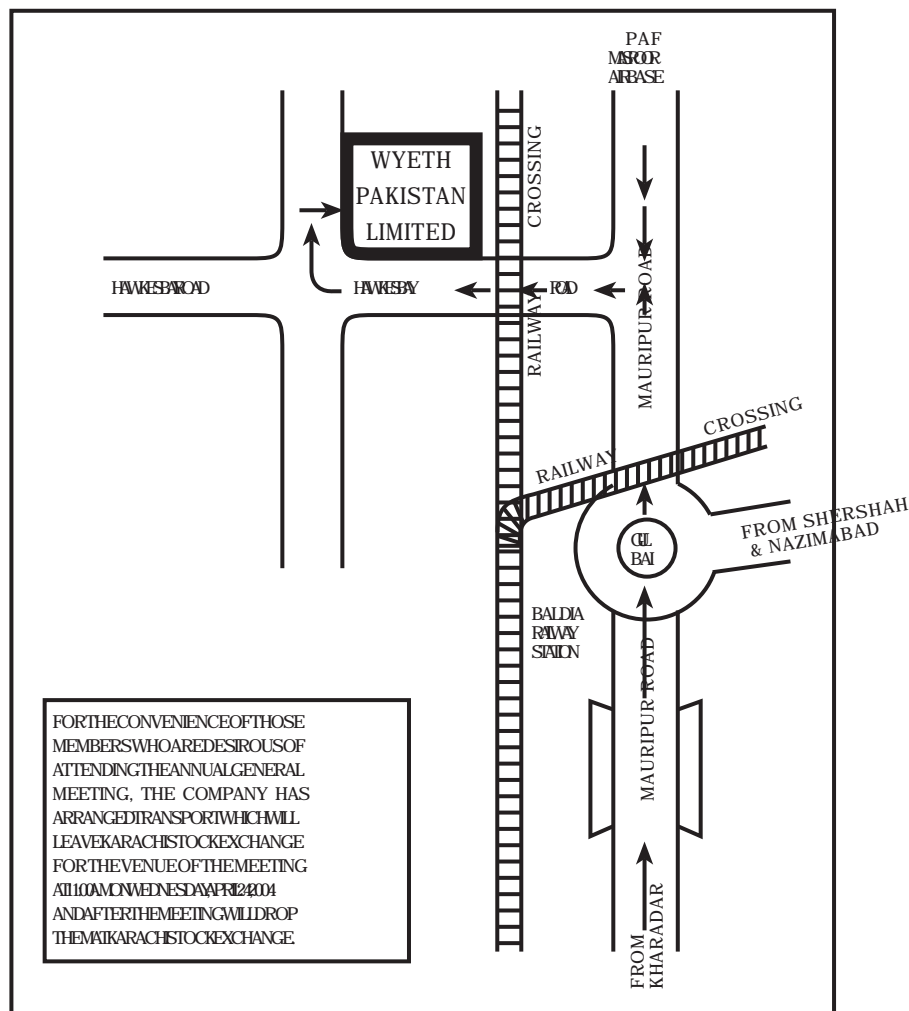
Folio No. / CDC Account and
Participant's ID Number

Number of Shares held

1. A member entitled to attend and vote at Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company.
2. The instrument appointing a proxy should be signed by the member or by his attorney duly authorized in writing. If the member is a corporation its common seal should be affixed to the instrument.
3. The instrument appointing a proxy, together with the Power of Attorney if any under which it is signed or a notarilly certified copy thereof, should be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the meeting.
4. In case of Proxy for any individual beneficial owner of CDC, entitled to attend and vote at this meeting it is necessary to deposit the attested copies of beneficial owner's national identity card, Account and Participant's ID numbers. The Proxy shall produce his original national identity card at the time of the meeting. Representative of corporate members should bring the usual documents for such purpose.

TRANSPORT ARRANGEMENT TO ATTEND THE 55TH ANNUAL GENERAL MEETING
 OF WYETH PAKISTAN LIMITED
 ON WEDNESDAY, APRIL 28, 2004
 AT 11:30 A.M. AT THE REGISTERED OFFICE OF THE COMPANY,
 S-33, HAWKESBAY ROAD, S.I.T.E., KARACHI.

LOCATION PLAN



Wyeth

