sanofi aventis

Because health matters.

lifeline

ANNUAL REPORT 2010

We are your *lifeline*

The "Lifeline" symbolizes vitality & length of life. It reveals the past and provides insight into the present & the future, painting a rich canvas of life itself.

Just as each lifeline has a unique story to tell, so does each patient. Listening to the stories of our patients shapes all our decisions and actions: we must understand patient needs and then define what we can bring to them. Recognizing the crucial importance of patient-centered healthcare, sanofi-aventis places the patient at the heart of our endeavors to improve lives, today and tomorrow.

Contents

The veins of a leaf breathe life into the extremities of each leaf. They serve as the true essence of life, spreading nutrients essential for life to flourish.

lifeline

Group profile

Sanofi-aventis, a global leader in the pharmaceutical industry, researches and develops medicines and vaccines to help improve the lives of the greatest possible number of people.

R&D explores a broad spectrum of innovative approaches, and develops new products in the key areas of therapeutic expertise: Thrombosis, Cardiovascular diseases, Diabetes, Vaccines, Oncology, Central Nervous System disorders and Internal Medicine.

The company's growth is attributable to a regional approach to business operations, backed by a comprehensive portfolio of innovative products, mature prescription medicines, consumer health products, generics, vaccines as well as animal health.

By virtue of its commitments, sanofi-aventis constantly adapts its development model to the world's emerging human and economic problems.

Group history

- **1973-1999:** Two French companies - Total (an oil company) who acquired Elf Aquitaine and L'Oreal (a cosmetic company) - were the founders of what eventually became sanofi-synthelabo.
- **1998-1999:** Rhone-Poulenc was a French chemical and pharmaceutical company founded in 1928. Hoechst Marion Roussel was a German chemicals then life-sciences company.
- **2004:** Sanofi-aventis is one of the six largest pharmaceutical companies in the world. # 1 in Europe. World leader in vaccines.

Vision

To become a diversified healthcare leader, focused on patients' needs

- Valued by patients & healthcare providers
- Sought-after as an employer
- Respected by the scientific community & our competitors

Mission

Our core strategy is to:

- Create value by rapidly launching and successfully marketing innovative pharmaceuticals that satisfy unmet medical needs in large patient populations.
- Focus commercial resources on strategic brands to drive sales growth and maximize the value of existing and new global brands.
- Aggressively recruit and retain top talent, enhancing our capabilities in drug innovation and commercialization.

our sanofi-aventis

COMMITMENT

The underlying purpose of the organisation and a motivating and vivid picture of how the organisation will look, feel and be in the future.

AMBITION

A clear and compelling road map of how we will achieve our goals.

VALUES & ATTITUDES

Deep, long term moral convictions about what is right or wrong that give a framework for making decisions, particularly decisions of judgment. The intangible mindset that describes the shared way in which we approach our work.

MANAGEMENT PRINCIPLES

The concepts that guide how the organisation should be organised, managed and take decisions.

COMPETENCIES & BEHAVIOURS

The characteristics that are recognised and rewarded in an organisation and serve as predictors of future success. Can include traits, abilities and preferences.

The visible and measurable actions that a person takes to demonstrate a competency. Behaviours are always tangible and measurable.

UNIQUENESS

The attributes of sanofi-aventis that define and differentiate us from all other companies.

Standing Out

We dare
We are confident; standing up for what we believe in and pursuing our goals passionately. Always resilient, we dare to challenge the norm.

What does this mean to me?
I am confident in doing my work and I strive to achieve the best outcomes. I continually challenge myself to do the right thing.

Integrity

Acting Ethically

We commit
We commit to maintain the highest ethical and quality standards without compromise.

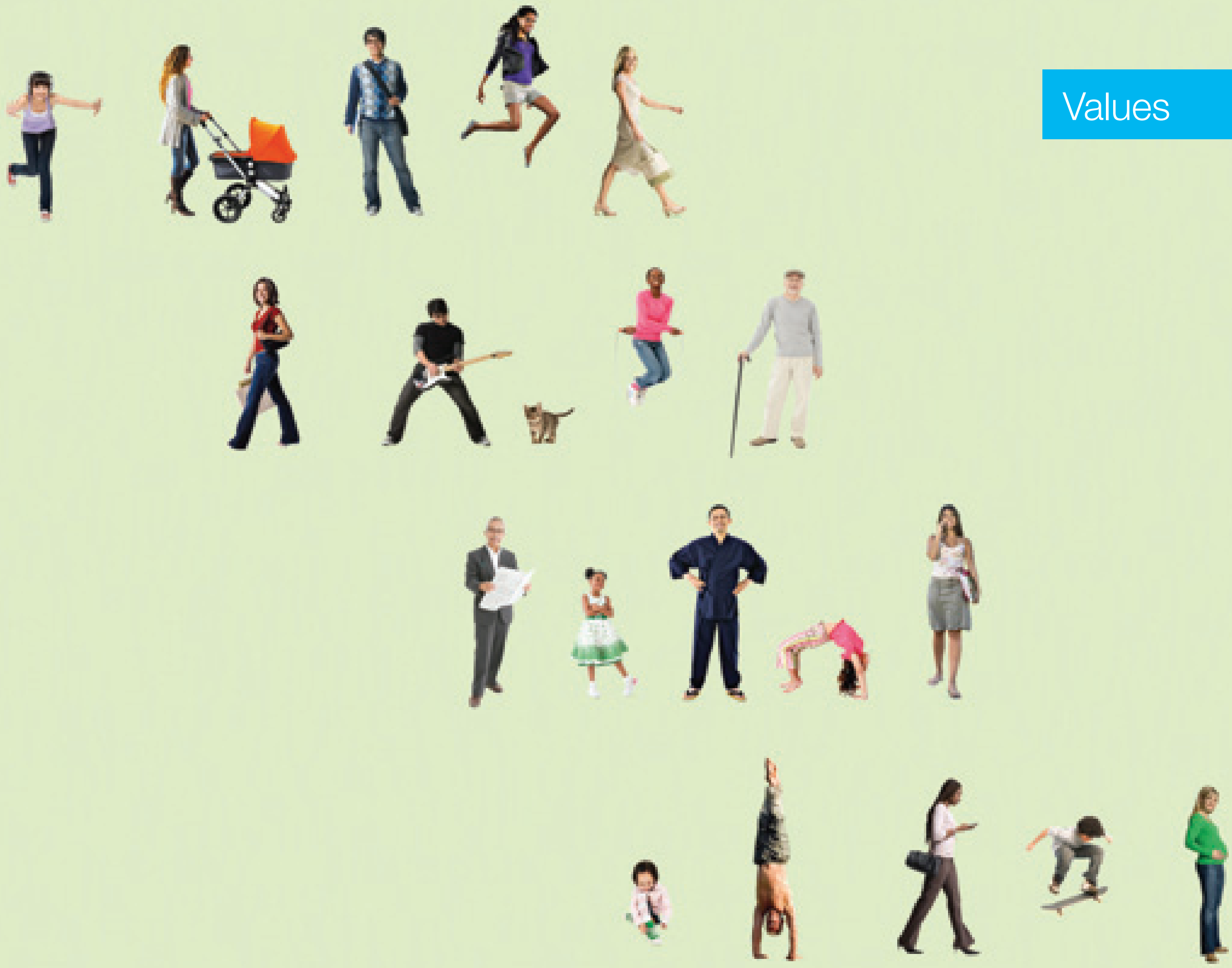
What does this mean to me?
I always do everything I can to act ethically and continuously ensure the highest quality standards.

Innovation

Forward Thinking

We inspire
We encourage our people and partners to embrace creative solutions and excel through entrepreneurship.

What does this mean to me?
I am encouraged to share innovative ideas and novel thinking, which is how I can make a real difference.



Respect

Embracing Difference

We respect
We recognise and respect the diversity and needs of our people, patients and partners, ensuring transparent and constructive interactions through mutual trust.

What does this mean to me?
I am genuinely valued. People recognise my contribution to results, they listen to my opinions and I listen to theirs.

Solidarity

Socially Responsible

We care

We are united in shared responsibility for our actions, our people, the well being of our patients and in achieving a sustainable impact on the environment.

What does this mean to me?

I feel proud to contribute to a company that cares about people and acts conscientiously in response to the health needs of populations around the world.

Strategic objectives

Transforming sanofi-aventis into a healthcare leader

We announced our vision to become a diversified global healthcare leader.

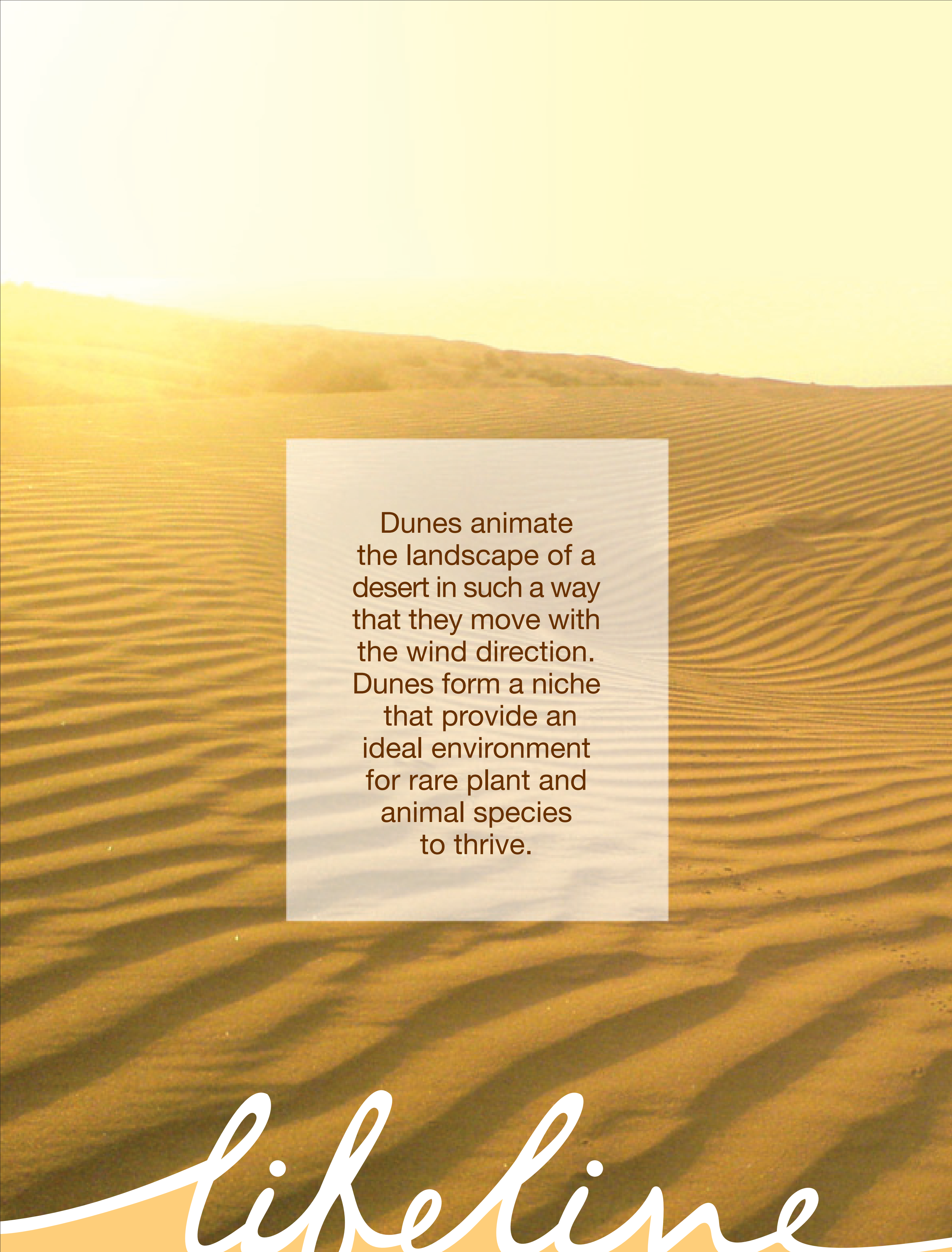
To achieve this goal, we are transforming sanofi-aventis to ensure sustainable, profitable growth. The core objectives in this process:

- Increasing innovation in our R&D
  By focusing on patients' needs, we intend to become the most productive R&D organization in the healthcare sector. To do this, we are carrying out a complete review of our portfolio. Moving forward, we will evolve our decision-making process, creating an innovative and dynamic organization, developing a clear strategy to tap into the best science around the world.

- Adapting our company to future challenges
  The crucial questions facing our industry are clear: "How can we change the model? How can we create more sustainable growth?" To answer these questions, we have to identify the resources and the competencies we need to grow. We are growing in markets as diverse as the patients themselves. New technologies open new avenues of research. Vaccines, biologicals, branded generics and consumer healthcare (OTC) require our teams to move out of the classical pharmaceutical mindset. Our company has a history of adapting to opportunity and we will build upon this strength.

- Pursuing external growth opportunities
  Why must we diversify? Classical small molecules pharmaceuticals, our core business activity, are vulnerable to patent expiry. So we want to build businesses like vaccines, like consumer health care, like branded generics, to create a basis for more sustainable growth. We will of course maintain our pharmaceutical business, but we will also reply to future global healthcare challenges with a broader platform of offerings, which are more affordable and accessible to patients with fewer economic resources.

Chris Viehbacher, CEO
sanofi-aventis group



Dunes animate the landscape of a desert in such a way that they move with the wind direction. Dunes form a niche that provide an ideal environment for rare plant and animal species to thrive.

lifeline

Corporate profile - sanofi-aventis Pakistan

The company was incorporated on December 8, 1967 as Hoechst Pakistan Limited. Manufacturing of Pharmaceuticals and Specialty Chemicals started in 1973. In 1977 the company went public and was listed on the Karachi Stock Exchange. Agrochemical formulation started in 1985.

In 1996, Agriculture business was spun off into a separate legal entity called AgrEvo Pakistan (Private) Limited, and the following year, Specialty Chemicals business was sold to Clariant Pakistan Limited. Hoechst Pakistan Limited changed its name to Hoechst Marion Roussel (Pakistan) Limited in June 1996, and the core business was then restricted to pharmaceutical activities.

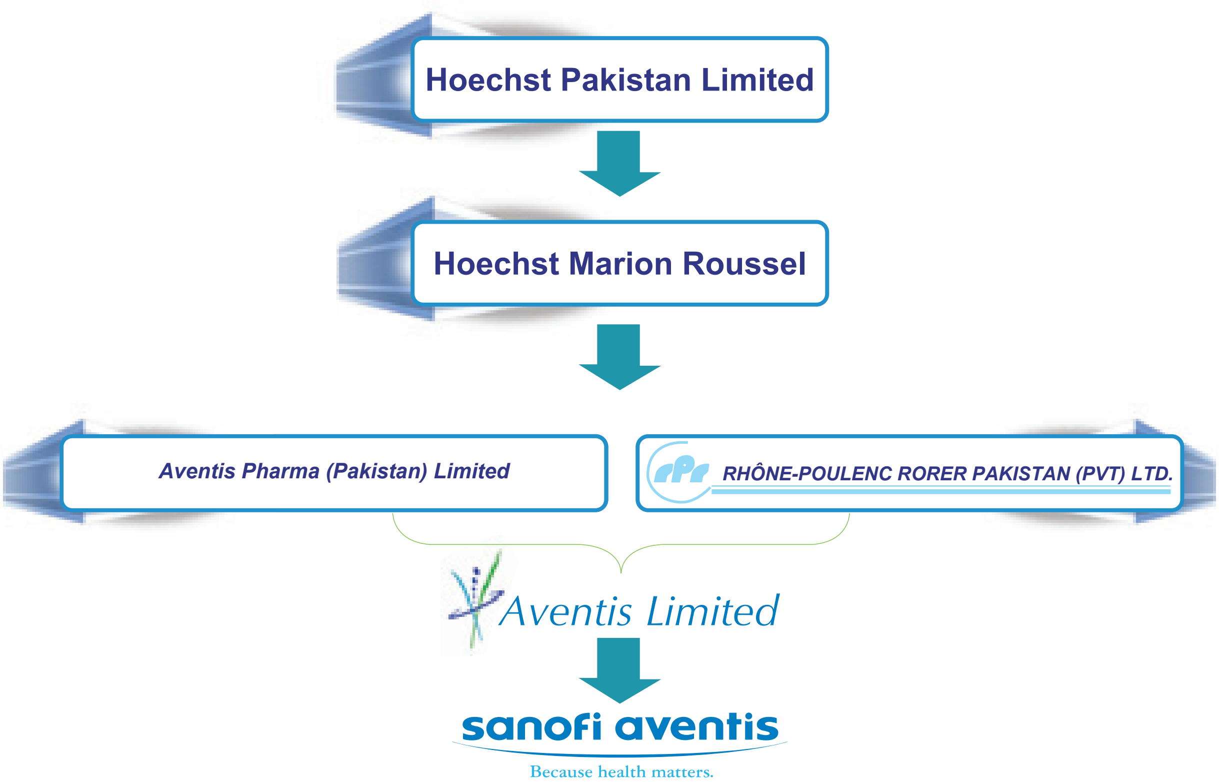
In December 1999, Hoechst AG & Rhone Poulenc S.A. globally merged their life sciences business into a new company known as Aventis S.A. The name of the company in Pakistan was changed to Aventis Pharma (Pakistan) Limited in November 2000.

In line with the amalgamation globally, Aventis Pharma (Pakistan) Limited was merged locally with Rhone Poulenc Rorer Pakistan (Private) Limited and the company changed it's name to Aventis Limited from April 2003.

During 2004 Aventis S.A. was acquired by sanofi synthelabo to form a company called sanofi-aventis S.A. consequently in September 2005 the name of the company was changed to sanofi-aventis Pakistan limited.

Today sanofi-aventis is the 5th largest pharmaceutical company in Pakistan with a market share and growth rate of 4.5% (2009: 4.4%) and 19.3% (2009: 17%) respectively. sanofi-aventis S.A. France, is now one of the world's leading diversified health-care company with patient centric approach offering medicines, consumer health care products generics, and animal health.

With professionally qualified managers in the sales, matketing and medical departments, who are well versed in marketing products ethically, coupled with our extensive distribution network through 16 regional distributors, we cater to the needs of chemists, doctors, and hospitals across patients through Pakistan.



Company information

Board of directors

Syed Babar Ali
Chairman

Tariq Wajid
Managing Director

Arshad Ali Gohar

Hussain Lawai

Syed Hyder Ali

Shailesh Ayyangar
(Alternate Amanuallah Khan)

Francois-Xavier Duhalde
(Alternate Shakeel Mapara)

Jean-Marc Georges
(Alternate Muhammad Amjad)

M. Z. Moin Mohajir

Company secretary

Muhammad Irfan

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Legal advisors

Azfar & Azfar
Fazle Ghani Advocates
Ghani Law Associates
Haidermota & Co.
Khan & Hafiz Associates
Rizvi, Isa, Afridi & Angell
Saadat Yar Khan & Co.

Registered office

Plot 23, Sector 22, Korangi Industrial Area,
Karachi - 74900

Registrars & share transfer office

FAMCO Associates (Pvt.) Ltd.
State Life Building No.1-A, First Floor, I.I. Chundrigar
Road, Karachi - 74000.

Bankers

Citibank, N.A.
Deutsche Bank AG
Habib Bank Limited
MCB Bank Ltd.
Standard Chartered Bank
The Royal Bank of Scotland Ltd.

Postal address

P.O. Box No. 4962, Karachi - 74000

Contact

contact.pk@sanofi-aventis.com

URL

www.sanofi-aventis.com.pk


sanofi aventis

Directors' profile

Name of director	Date of joining board	Other engagements
Syed Babar Ali Chairman (Independent non-executive director)	Prior to the listing of the company in 1977	Chairman • Acumen Fund • Ali Institute of Education • Babar Ali Foundation • Coca Cola Beverages Pakistan Limited • Gurmani Foundation • IGI Insurance Limited • IGI Investment Bank Limited • Industrial Technical & Educational Institute • National Management Foundation • Siemens Pakistan Engineering Company Limited • Syed Maratib Ali Religious & Charitable Trust Society • Tetra Pak Pakistan Limited • Tri-Pack Films Limited Director: • Bayer CropScience Pakistan (Pvt.) Limited • Nestle Pakistan Limited President: • Emeritus WWF - Pakistan Pro-Chancellor: • Lahore University of Management Sciences (LUMS)
Tariq Wajid Chief Executive (Executive director)	April 28, 2003	Chairman: • Pharma Bureau of Statistics Member: • Management Committee of the Overseas Investors Chamber of Commerce & Industry • Board of Governors of National Management Foundation • Advisory Board for e-MBA Corporate Management Program of the Institute of Business Administration
Arshad Ali Gohar (Independent non-executive director)	February 11, 2011	Director: • Ali Gohar & Company (Private) Limited • Eli Lilly Gohar (Private) Limited • AGT Systems (Private) Limited

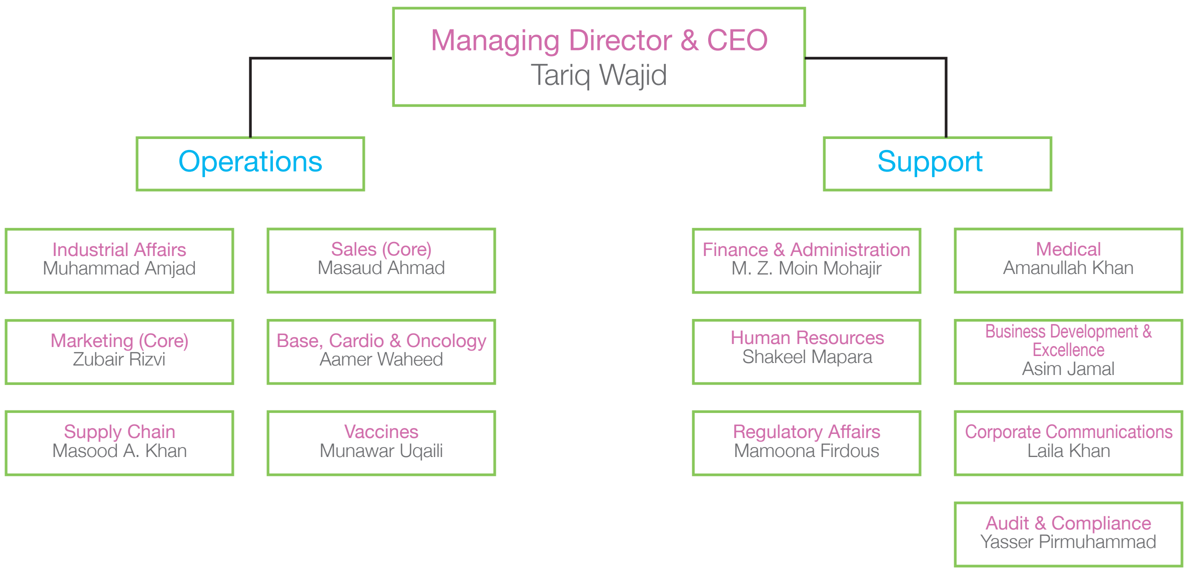
Obituary

Pir Ali Gohar passed away peacefully in 2010. His rich contribution to the success of this company for over 4 decades will always be remembered.

Name of director	Date of joining board	Other engagements
Hussain Lawai (Independent non-executive)	October 18, 2010	President & Director: Summit Bank Limited Director: • Pakistan International Airlines • GlaxosmithKline Pakistan Limited Member: • Civil Hospital, Board of Implementation & Coordination • Pak American Institute of Management Sciences - Lahore
Syed Hyder Ali (Independent non-executive director)	February 22, 1987	Director: • Bulleh Shah Paper Mill (Private) Limited • IGI Insurance Limited • National Management Foundation • Nestle Pakistan Limited • Packages Lanka (Pvt) Limited • Packages Limited • Tetra Pak Pakistan Limited • Tri-Pack Films Limited • Pakistan Centre of Philanthropy • Pakistan Business Council Member: • Board of Governors of World Wide Fund - Pakistan • Board of Governors of Babar Ali Foundation • Board of Governors of National Management Foundation • Executive Committee of Syed Maratib Ali Religious & Charitable Trust Society • Executive Committee of International Chamber of Commerce (ICC) Pakistan
Shailesh Ayyangar (Non-executive director)	February 11, 2011	Managing Director: • Aventis Pharma Limited - India • sanofi-synthelabo (India) Limited Director: • sanofi-aventis Lanka Limited
Francois-Xavier Duhalde (Non-executive director)	August 24, 2010	None
Jean-Marc Georges (Non-executive director)	February 13, 2008	None
M. Z. Moin Mohajir (Executive director)	May 17, 1997	Member: • Board of Trustees of sanofi-aventis Pakistan Limited Provident Fund • Board of Trustees of sanofi-aventis Pakistan Limited Gratuity Fund • Board of Trustees of sanofi-aventis Pakistan Limited Pension Fund • Board of Trustees of sanofi-aventis Pakistan Limited Workers' Profits Participation Fund

Organization & committees

Sanofi-aventis Pakistan limited management is as follows:



Management committee

The management committee provides direction & leadership to the organization by:

- Setting the strategic direction.
- Formulating policies and implementing risk management and internal control procedures.
- Ensuring effective management of resources.
- Monitoring activities to ensure objectives are met in a transparent, ethical manner in line with the values of the organization.

The management committee comprises:

Tariq Wajid	Managing Director & CEO
M. Z. Moin Mohajir	Director Finance & Administration
Muhammad Amjad	Director Industrial Affairs
Amanullah Khan	Director Medical
Asim Jamal	Director Business Development & Excellence
Shakeel Mapara	Director Human Resources
Mamoona Firdous	Director Regulatory Affairs
Masaud Ahmad	Head of Sales (Core)
Zubair Rizvi	Head of Marketing (Core)
Aamer Waheed	Head of Sales (Base, Cardio & Oncology)
Munawar Uqaili	Head of Sales (Vaccines)
Masood A. Khan	Head of Supply Chain
Laila Khan	Head of Communication
Yasser Pirmuhammad	Head of Audit & Compliance

Board audit committee

The board audit committee assists the board in fulfilling its responsibilities, including reviewing the financial reporting process, the system of internal control over financial reporting, the risk management and internal audit process and the company's process for monitoring compliance with laws and regulations.

The audit committee comprises 2 non-executive and 1 alternate director. The Chairman of the committee is a nonexecutive director. The members of the committee are:

Syed Hyder Ali	Chairman	Non-executive
Francois-Xavier Duhalde		Non-executive
Amanullah Khan		Executive
Yasser Pirmuhammad	Secretary	Head of Audit & Compliance

During the year 2010, the audit committee met 4 times, including one meeting which was attended by the representative of the external auditors.

Board share transfer committee

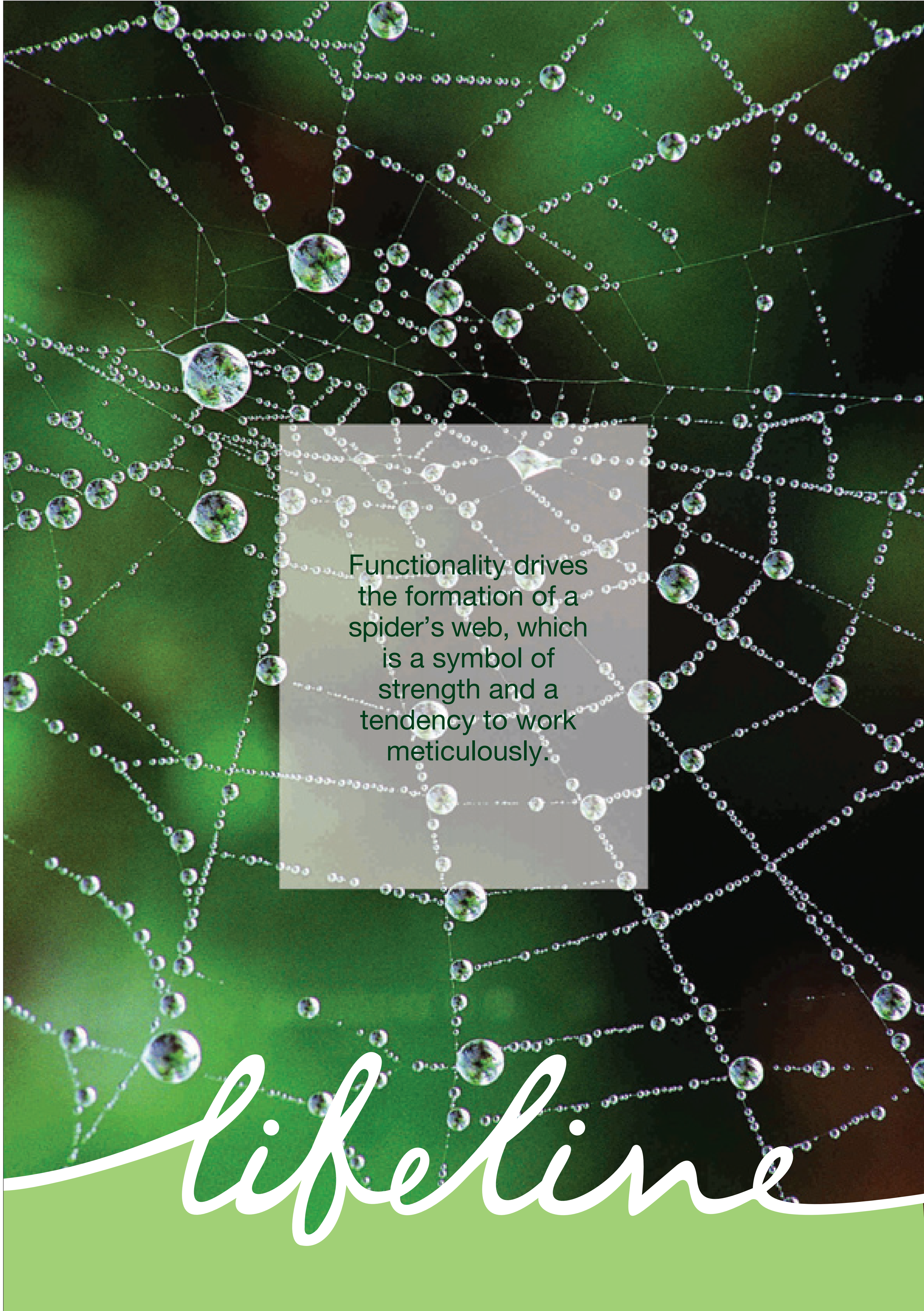
The board share transfer committee has been authorized by the board to approve transfer of shares. All share transfer resolutions are ratified by the board of directors in subsequent meetings. The members of this committee are:

Tariq Wajid	General Manager and Managing Director
M. Z. Moin Mohajir	Director Finance & Administration

Ethics committee

The ethics committee is responsible to ensure that the code of ethics and other specific ethical procedures are disseminated and understood by all employees and investigates and proposes actions in cases of failure to meet, or violation of, the stated principles and rules of the company. The members of the ethics committee are:

Amanullah Khan	Director Medical
Yasser Pirmuhammad	Head of Audit & Compliance
Laila Khan	Head of Communication
Masaud Ahmed	Head of Sales
Salman Ahmed	Head of Quality Affairs


Functionality drives the formation of a spider's web, which is a symbol of strength and a tendency to work meticulously.
lifeline

Products

A range of dependable product offerings and a strategy adapted to local needs.

Sanofi-aventis can draw on a number of powerful assets to address the new context in the global pharmaceutical market: an extensive portfolio of prescription medicines, vaccines, generics medicines, consumer health care and animal health, along with a balanced presence on both traditional and emerging markets.

Sanofi-aventis addresses fundamental health issues and makes major therapeutic solutions available in its areas of expertise: diabetes, oncology, thrombotic and cardiovascular diseases, central nervous system disorders, internal medicine & vaccines.

Key therapeutic areas

Diabetes

Sanofi-aventis in its various incarnations has led the field in insulin manufacturing as well as in diabetes research and development for 88 years: from the first manufacture of insulin through to the development of Lantus® - launched a decade ago and up to the present day, where we are now investigating the possibility of regenerating the insulin-producing cells in the body.

In collaboration with healthcare charities and research organisations, we are actively working to improve the lives of people with diabetes. By understanding and listening to people with diabetes, solving problems through innovation, and making innovation a reality, we strive to increase our reach and add value to the lives of even more people with diabetes worldwide.

As well as our insulin products, we have a range of award-winning delivery devices, oral therapies - on the market and in development - and innovative blood glucose monitoring systems, so that, together with our personalised services, we can offer a patient-centric partnership to people with diabetes.
This is the founding principal of our new diabetes division in Frankfurt, Germany, where everyone in the company involved in diabetes, from research and development through to marketing and support services, works together - putting people with diabetes first.

LANTUS® insulin glargine

Sanofi-aventis improved significantly diabetes management with Lantus® (insulin glargine), our 24-hour, once-daily basal insulin injection. With our clinical experience covering more than 100,000 patients, as well as post-marketing surveillance arising from over 30 million patient-years of experience, Lantus® has demonstrated a strong efficacy and safety profile over the past 10 years - and remains the subject of ongoing studies even now, to optimise its use for people with diabetes.

Apidra® insulin glulisine

Apidra® is a fast-acting insulin for people with Type 1 and advanced Type 2 diabetes. It is usually combined with long-acting insulin or basal insulin analogues, such as Lantus®. Apidra® is more flexible than fast-acting human insulin because it is administered subcutaneously just before or immediately after meals.

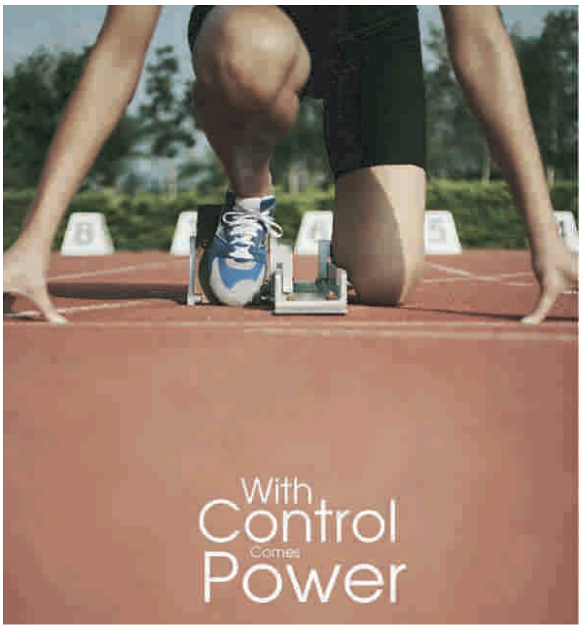
SoloSTAR®

SoloSTAR® is a pre-filled, disposable pen that enables patients to inject up to 80 units of insulin, if necessary in one shot. It was designed to meet the everyday needs of people with diabetes. They can easily see the insulin dose and the injection is almost painless, as slight pressure suffices to inject the right dose (30% less force than similar devices).

Amaryl®
Glimepiride

Amaryl® M S.R.
(Glimepiride & Metformin HCl)

Amaryl® (glimepiride) and Amaryl M® (glimepiride + metformin) are oral blood glucose-lowering drugs of the sulfonylurea class, administered once a day to treat Type 2 diabetes in combination with diet and exercise measures. The combination of Amaryl® or Amaryl M® and Lantus® is effective, if oral treatment alone does not give adequate control of blood glucose.



Oncology

Sanofi-aventis' commitment to oncology is demonstrated by a series of successes and its research into new therapeutic mechanism. Our oncology portfolio represents a broad spectrum of novel agents with a variety of mechanisms of action for treating cancer and/or cancer side-effects. Sanofi-aventis' vision is to target cancer on all fronts by working on most of the mechanisms of action involved in the development, growth and spread of cancer.

TAXOTERE®
(docetaxel)

Taxotere® is a drug in the taxoid class, which inhibits cancer cell division by essentially "freezing" the cell's internal skeleton, comprised of microtubules which assemble and disassemble during a cell cycle. Taxotere® promotes assembly and blocks disassembly, thereby preventing cancer cells from dividing and resulting in their death.

Eloxatin®
OXALIPLATIN 5 mg/ml

Eloxatin® is a new-generation platinum salt that has brought major progress in the treatment of metastatic colorectal cancer by making surgery possible for a significant proportion of patients with isolated hepatic metastases by rapidly and significantly reducing metastasis size. Eloxatin® holds out the hope of an extended lifespan and possible recovery for these patients.

Thrombotic & Cardiovascular Diseases

Thrombotic diseases such as deep vein thrombosis (DVT), atherothrombosis, and cardiovascular diseases, particularly arterial hypertension, are a major cause of death. As lifestyles change, these diseases are affecting a growing number of people in countries around the globe. The sanofi-aventis portfolio delivers effective solutions to thrombotic and cardiovascular diseases that affect the entire world.

CLEXANE®
enoxaparin sodium™

Clexane® is the most widely studied and used low molecular weight heparin (LMWH) in the world & is approved for more clinical indications than any other LMWH. Clexane® is an anti-coagulant used to inhibit the formation of clots in veins and arteries, thereby preventing possible acute or chronic complications associated with deep vein or arterial thrombosis.

Plavix®
(Clopidogrel) 75 mg

Millions of patients all over the world are being treated with Plavix® for the prevention of ischemic events caused by atherothrombosis, confirming the favourable benefit-to-risk ratio of long-term management of atherothrombosis. In Pakistan, Plavix® is rapidly consolidating its position as the foremost platelet antiaggregate agent for the secondary prevention of stroke.

APROVEL®
(irbesartan)

COAPROVEL®
(irbesartan/hydrochlorothiazide)

Aprovel® is indicated for the treatment of hypertension and diabetic nephropathy in patients with Type 2 diabetes. It acts by blocking the effect of angiotensin, the hormone responsible for the contraction of blood vessels, thereby permitting the normalization of arterial blood pressure.
A new form of CoAprovel® (irbesartan and hydrochlorothiazide) helps more at-risk hypertensive patients to reach their blood pressure goals. It is also indicated in cases of severe and moderate hypertension, the first fixed dose combination of a sartan and hydrochlorothiazide indicated as treatment for initial use in hypertensive patients who are likely to need multiple drugs to achieve their blood pressure goals.

Central Nervous System (CNS) Disorders

In the particularly complex disorders of the central nervous system, the need for medical care increases as the population ages. Sanofi -aventis is increasing and diversifying its pharmacological and scientific approaches in the two major areas of mental and neurodegenerative diseases. CNS disorders are severe, complex, and costly. They require targeted approaches such as those provided by sanofi-aventis products.

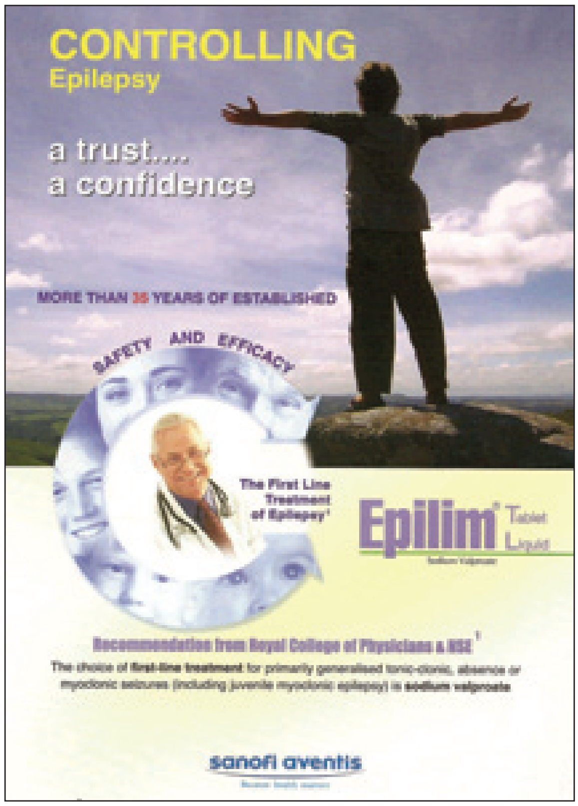
Stilnox®
Zolpidem 10mg scored tablets

Stilnox® is the leading hypnotic worldwide and is indicated in the short-term treatment of insomnia.

It rapidly induces sleep that is qualitatively close to natural sleep and devoid of certain side effects that are characteristic of the benzodiazepine class as a whole. Its action lasts for a minimum of six hours, and it is generally well tolerated, allowing the patient to awake with a reduced risk of impaired attention, decreased alertness or memory lapses throughout the day.

Epilim®
Sodium Valproate

Epilim belongs to a group of medicines called anticonvulsants and is used for the treatment of epilepsy in children and adults.



Frisium®
Clobazam

Frisium® belongs to a class of medications called benzodiazepines and is effective against all seizure types. It is used mainly as an add-on (adjunctive) medication for primary generalized and partial seizure disorders but it also can be effective when used alone.

Internal Medicine

Sanofi-aventis has a broad range of internal medicine treatments for fighting a variety of frequently-contracted disorders, particularly in urology and also for treating allergies and osteoporosis.

Claforan®

(Cefotaxime sodium)

Claforan® is a third-generation Cephalosporin injectible antibiotic for the treatment of a wide range of infections including those of the respiratory tract, skin and soft tissues, urinary tract, and meningitis due to susceptible pathogens in both adults and children. It is also indicated for surgical prophylaxis (i.e. prevention of surgical infections). Claforan® is manufactured in a state of the art facility located in Karachi.

Haemaccel®

Polygeline 3.5%

Haemaccel® (Polygeline) is a plasma substitute for volume replacement used to correct or avert circulatory insufficiency due to plasma / blood volume deficiency, resulting from bleeding or from a shift in plasma volume between the circulatory compartments. It is a ready-for-use solution for intravenous infusion and can also be used as a carrier solution for various medicines.

Tarivid®

(Ofloxacin)

Tarivid® (Ofloxacin) is a fluroquinolone antibiotic with a broad anti-bacterial spectrum. Tarivid® is prescribed for acute, chronic or recurrent lower respiratory tract infections, skin and soft tissue infections, bone and joint infections, urinary tract infections and infections of the genital organs.

Flagyl®

Metronidazole

Today a household name and among the top-selling drugs in the country, Flagyl® is effective for the treatment of parasitic infections caused by Trichomonas vaginalis or Entamoeba histolytica known to cause diarrhoeal disease.

NO-SPA®

(Drotaverine HCl)

This is used as an antispasmodic in the management of biliary-tract, urinary-tract, and gastrointestinal spasm. This drug is indicated in the management of irritable bowel syndrome, renal colic, biliary colic, management of severe pain during mensturation and induction of labour.

Telfast®

Fexofenadine HCl

Telfast® is an effective and potent antihistaminic agent, devoid of sedative effects and with a prolonged duration of action allowing administration once every 12 or 24 hours. It is indicated for the treatment of hay fever and chronic idiopathic urticaria. The Telfast-D® formulation combines this antihistaminic with a prolonged-release decongestion agent.

Vaccines

Over a century of specializing in vaccines

Sanofi Pasteur as we know it today is the result of the meeting of four exceptional destinies that left a mark on the history of vaccination: Louis Pasteur and the Mérieux family in France, John FitzGerald in Canada, and Richard Slee in the United States. In 1885, Louis Pasteur used the first rabies vaccine to save the life of young Joseph Meister. In 1897, Marcel Mérieux created the Mérieux Biological Institute in Lyon while Richard Slee founded the Pocono Biological Laboratories, in Swiftwater, Pennsylvania. In 1914, John FitzGerald created Connaught Laboratories as part of the University of Toronto.

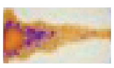
Protecting and improving human health is the main mission of sanofi pasteur. It plays an active role by providing superior, innovative vaccines for the prevention and treatment of disease.

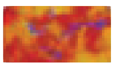
A unique portfolio offering the broadest range of vaccines worldwide
Vaccines against 20 diseases

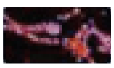
Viral diseases

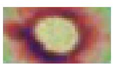

Yellow fever

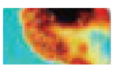

Mumps


Poliomyelitis

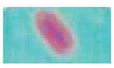

Measles

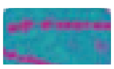

Rubella


Influenza


Hepatitis A

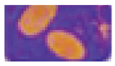

Hepatitis B

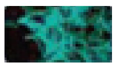

Rabies


Japanese encephalitis


Chickenpox

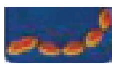
Bacterial diseases


Pertussis


Diphtheria


Haemophilus influenzae type b infections


Meningococcal meningitis


Pneumococcal infections


Tetanus


Tuberculosis


Typhoid fever

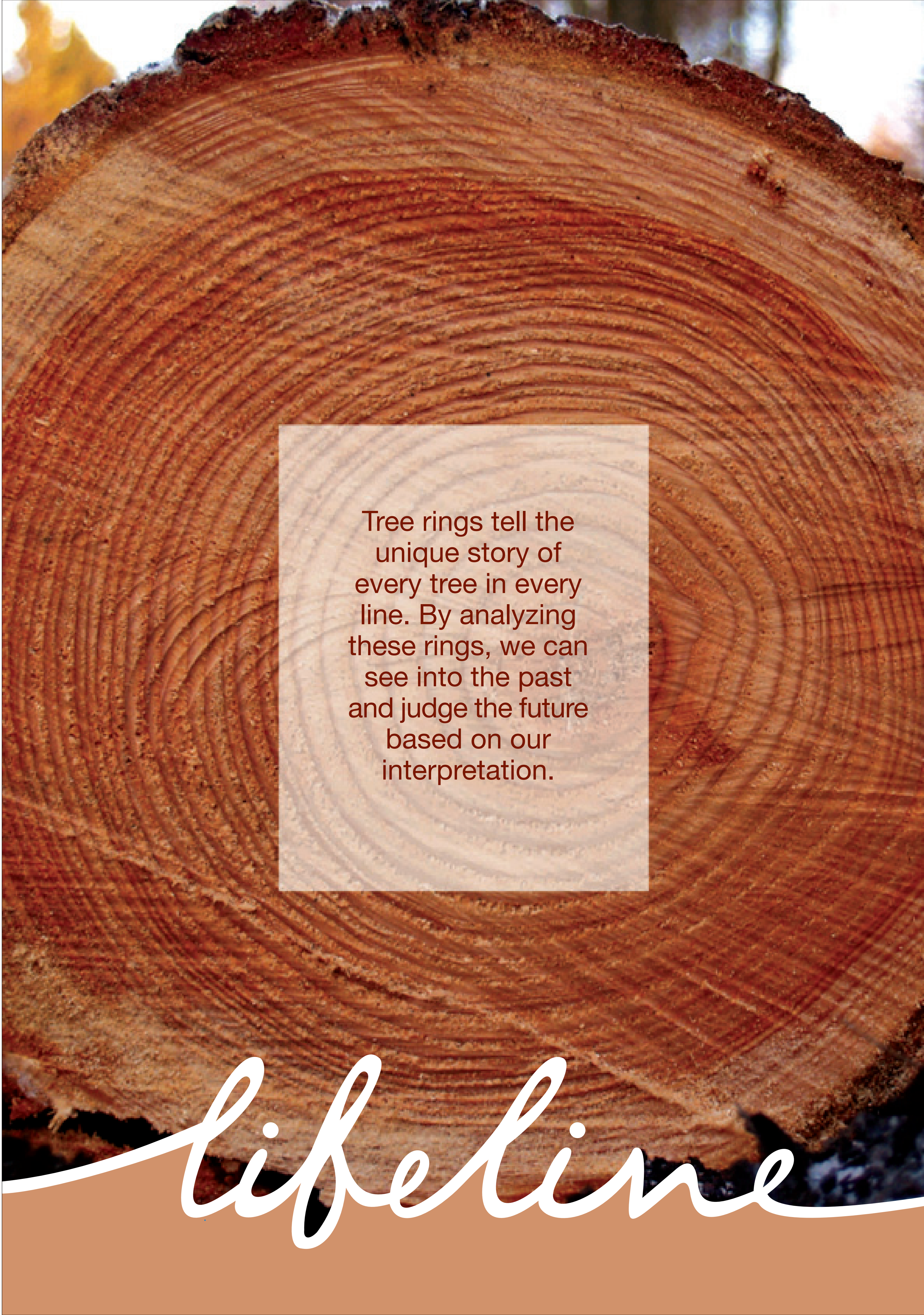

Cholera

Top 10 brands

	Product	2010 * Rs. million	2009 * Rs. million	Growth	% ** Contribution
1	Flagyl® Metronidazole	1066	961	11%	17%
2	Claforan® (Cefotaxime sodium)	500	425	18%	8%
3	Amaryl® Glimepiride and Amaryl M®	495	442	12%	8%
4	Haemaccel® Polygeline 3.5%	445	341	30%	7%
5	Tarivid® (Ofloxacin)	270	246	10%	4%
6	Daonil® Glibenclamide	237	231	3%	4%
7	PHENERGAN® PROMETHAZINE HCl TABLET/ELIXIR	234	232	1%	4%
8	NO-SPA® (Drotaverine HCl)	202	148	37%	3%
9	Avil® (Pheniramine maleate)	176	154	14%	3%
10	Lasoride® Frusemide B.P. 40mg and Amiloride Hydrochloride B.P. 5mg	167	160	4%	3%

* The numbers above represent net sales-in of respective brands.

** Represent contribution as a % of net sales-in.


Tree rings tell the unique story of every tree in every line. By analyzing these rings, we can see into the past and judge the future based on our interpretation.
lifeline

Medical

In 2010, the Medical Department undertook 10 clinical studies. These are a mix of epidemiological studies to understand the medical needs of the patients and clinical trials for evaluation of existing treatment modalities. Patients enrolled in these studies were either those suffering from diabetes, blood pressure, breast cancer or were undergoing surgeries, or suffered from infections such as typhoid or stomach disorders.

These studies involved 7000 patients across Pakistan involving approximately 500 investigators during the year.

Results of the large scale study, TAP (Typhoid in Adult Pakistani Population) were rolled out in Karachi, Lahore and Islamabad. Over 500 doctors attended these sessions. The study shows that the incidence of typhoid increased with the onset of summer and monsoon rains and affects individuals all across Pakistan. It establishes that typhoid is a public health problem in Pakistan, affecting adults too. Instant diagnostic facility was provided to each suspected patient at the doctor's clinic. This project was of great benefit to the population at large as it offered primary and secondary prevention to patients suspected of typhoid instantaneously.

A research project DIABETIC FOOT was undertaken to determine the prevalence of foot complication amongst diabetic patients. A portable Doppler was used to detect early changes in the foot of a diabetic patient. Patients in whom early changes were detected were referred to appropriate medical facilities providing chiropodic services. This project is the first of its kind at a national level which should help to avert amputations in diabetic patients.

Sanofi-aventis continues to update its customers on most current developments in health related disciplines. The large electronic library and the ability to access, in real time, cutting edge articles published in prestigious peer reviewed journals makes it a popular service. This service is highly appreciated by senior consultants, academicians and trainees. 3381 bibliographic searches were conducted for various practitioners during 2010.

Pakistan's expertise in anti-infective portfolio is well recognized in the region with products such as Claforan and Tarivid. Dr. Aasma Arshad, Medical Manager at sanofi-aventis in Pakistan has been designated as Regional Coordinator for the anti-infective portfolio. Similarly, our Biostatistician at the local affiliate was requested by the Egyptian affiliate to assist it in developing their database.

Medical Information plays a vital role for the medical practitioners. Sanofi-aventis Pakistan has a well established medical information system which is one of the best in the industry and within sanofi-aventis in the region. Pakistan has been put in the lead role to pioneer changes within the region in order to upgrade the medical information system for the region.

Medico-marketing

Dissemination of knowledge to doctors on disease management and improvement of healthcare standards is the cornerstone of our major scientific programs. At sanofi-aventis, we measure growth not only through numerical targets (i.e. sales) but also in terms of addressing patients' needs through innovative campaigns and activities held at hospitals & doctors' clinics.

Sanofi-aventis has a strong heritage of organizing high quality Continuous Medical Education (CME) programs for doctors to update them with the latest trends and scientific data on disease management. These sessions are rated highly by participating doctors and are considered a valuable source of medical knowledge and information. Continuing this tradition, several international and local scientific medical congresses and workshops were organized during 2010.

In order to develop CME programs for the dissemination of updates on disease management to family physicians, 'Train the Trainer' workshops on hypertension management and rabies were developed in collaboration with a leading private university hospital and the Infectious Diseases Society of Pakistan. Lectures by experts and Key Opinion Leaders (KOL), round table discussions, seminars and symposia etc were also organized. Approximately 8000 doctors participated in such events, enriching their medical expertise.

To support the improvement of the standard of care in cardiovascular disease conditions, an international speaker CME program on disease management in cardiology was organized in collaboration with renowned KOLs from across the country. The panel of speakers included three eminent cardiovascular consultants known for their expertise in developing and inventing new techniques for cardiovascular treatment and invasive techniques. The international speaker was Dr. Badrudin Rangoowala (cardiovascular consultant, University of Ulm, Germany), one of the pioneers in cardiovascular treatment and the author of a number of clinical studies. The other speakers were Dr. Mansoor Ahmad (consultant cardiologist, Ziauddin University Hospital, Karachi) and Dr. Syed Imran Ahmad (head of cardiology, Ziauddin University Hospital, Karachi). The aim of this program was to bridge the gap between current guidelines and practices. It was attended by over 50 physicians and GPs who participated in lectures on hypertension, patient management and the role of lipid lowering agents in hypercholesterolemia.

The Aprovel® team continued KOL management by engaging them in activities as speakers, moderators and participants. The cardiology team also actively participated in all major cardiology-related conferences including Cardiology Update, and those organized by Pakistan Cardiac Society and Pakistan Hypertension League. An "I Control to Goal" campaign was implemented to assist physicians in the better management of hypertensive patients.

The Aprovel® family range of products was strengthened in early 2010 with the introduction of another combination of optimal strength, CoAprovel® 300/25mg. During the first two quarters of the year, CoAprovel® 300/25mg out-performed the other two competitive research molecules.

Millions of patients all over the world are treated with Plavix®. In Pakistan, Plavix® is rapidly consolidating its position despite the threat of counterfeit availability. To combat this menace, the Plavix® team continued to focus aggressively on anti-counterfeit measures through chamber discussions, in-chamber promotional tools (patient awareness material), and discussions with targeted chemists, providing them informational brochures to aid identification of Plavix® genuine pack. Anti-counterfeit hologram stickers were introduced and affixed on Plavix® original packs. Tips for identification were communicated through the placement of wall mounts in clinic / hospitals of targeted doctors.

In our environment, many infections thrive due to unhygienic and unsanitary conditions. In order to increase awareness of the prevention of infection through better hygiene, a "Fight-back" campaign was implemented. The campaign targeted 3 key areas which play a vital role in the prevention of infections i.e. clean hands, safe water & food hygiene. Educational material (brochures, wall hangings etc) were developed to cascade key messages.

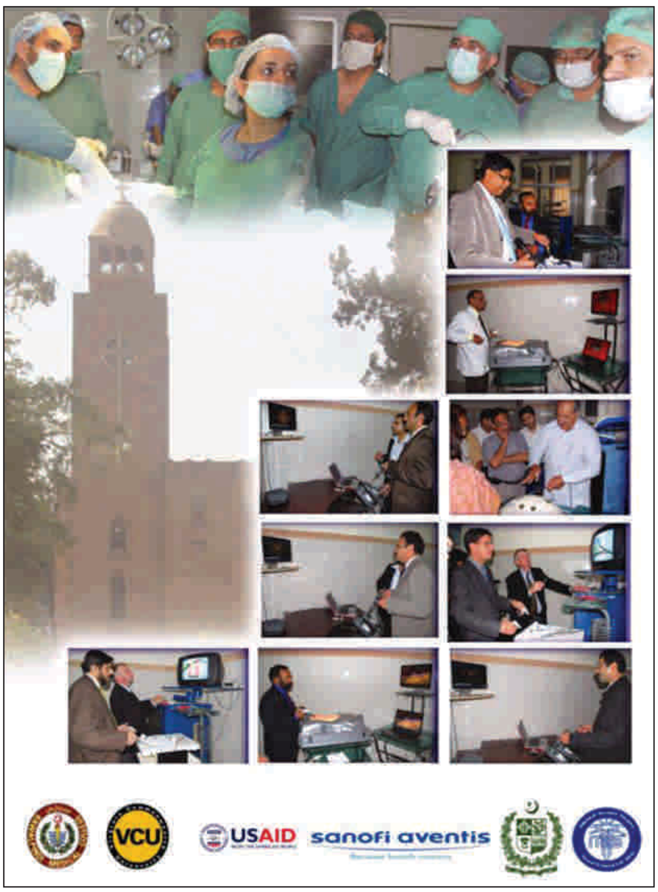
Closely related to poor sanitary conditions and paucity of safe drinking water is the high incidence of diarrhoeal disease which is one of the major killers of children and a common cause of morbidity in both children and adults. The no.1 brand of sanofi-aventis Pakistan limited, Flagyl®, is extremely effective for the treatment of parasitic infections known to cause diarrhoeal disease. In 2010, various marketing initiatives were undertaken to differentiate the quality of the original product from copy products. Key initiatives were (i) 'Seeing is Believing' (manufacturing site visit); (ii) 'Explore the Potential' (paediatric campaign); (iii) dissemination of results of the RODD study; (iv) local speaker programs; (v) scientific product presentations. A training program on the administration of intravenous medication was also held for health professionals. As a result, Flagyl® achieved Rs.1 billion sales for the second consecutive year with a double digit growth. It is now ranked amongst the top 5 brands of the Pakistan pharma industry. Claforan®, a well established and highly preferred brand to treat infections achieved a landmark of over Rs.500 million sales in 2010. It is the most prescribed third generation injectable cephalosporin in Pakistan. Claforan enjoys the trust and confidence of 11,800 prescribers who generate over 2.8 million prescriptions annually (MIP 1S, 2010). Most importantly, this translates into almost 3 million lives of adults and children that are saved annually from various infections including life-threatening conditions.

The contributory factors towards this landmark achievement by Claforan® include a strong promotional theme, 'Holding the Key to Broad Spectrum Antibiotic Coverage', CAP (Community Acquired Pneumonia) management campaign, OT (Operation Theatre) campaign, 'Seeing is Believing'(Claforan plant tour), MIS (Minimal Invasive Surgery) workshops, PROTECT Registry (to document the practice in the use of antibiotic prophylaxis in gynecologic and obstetric surgeries) and activities like local speaker program, round table discussions and scientific product presentations throughout Pakistan.

In the urology segment, sanofi-aventis Pakistan identified a need to raise awareness within the medical community of early signs and detection of BPH (Benign Prostate Hypertrophy). To do so, a 'U Management' campaign was launched all over Pakistan to train general physicians (GPs) for correct diagnosis and management of BPH. This campaign provided a platform for urologists to train GPs using case studies. It also bridged the gap between GPs and urologists, ultimately helping the BPH patient to get early diagnosis, referral and care.

Sanofi-aventis Pakistan limited is a key player in the anti-diabetic market, offering a complete range of anti diabetics which include Amaryl®, Daonil®, Neodipar®, Lantus® and Apidra®. General Practioners (GPs) are a primary contact point for the patient and play a key role in the management of diabetes. Throughout the year, GPs were kept abreast of the latest global trends and guidelines on diabetes management, thereby improving the overall standard of care. Diagnostic facilities like rapid HbA1c testing and diabetes detection drives were also organized at clinics, free of cost to the patients. Reader-friendly educational material was developed and distributed for the benefit of diabetic patients.

IDC is a Minnesota, USA based non-profit corporation, organized and operated to provide professional diabetes management training and related consultation services to the community. IDC provides world-class diabetes care, education, and research. Sanofi-aventis Pakistan limited engaged International Diabetes Center (IDC) as an independent representative to provide education and training services to medical professionals from Pakistan with a 'Train the Trainer' certification course. The program was designed to help clinicians develop the skills necessary for routine clinical practice in managing diabetes and to develop strategies for implementation & dissemination within Pakistan. A similar program had trained GP's across Pakistan earlier as well and there are plans to repeat these sessions in the future.



To help patients in low socio-economic areas and impart awareness on diabetes and its complications, 'Take Control' campaign was launched. This targeted the top 100 diabetic centers from all over the country. Diabetic patient diagnostic & wound care kits were provided to these centers and a series of patient awareness activities were conducted. Educational material in the form of brochures, DVD's and wall mounts was also distributed.

Programs were arranged in major cities of Pakistan to create awareness of the implications of VTE (Venous Thrombo-Embolism) & DVT (Deep Vein Thrombosis). These were attended by investigators of the ENDORSE study, members of the DVT Advisory Board, and leading KOLs from the disciplines of medicine, surgery, orthopedics, urology, gynecology and anesthesiology. The VTE guidelines in different specialties were also presented by Clexane® KOLs.

With advances in technology, preparation of products from living materials is on the increase. Such preparations are manufactured with utmost care and attention to process. The biosimilarity concept was introduced and addressed through various medico-marketing activities. Scientific product presentations and one-to-one meetings were held to elaborate on the biosimilarity concept. To demonstrate this emerging concept and technology, a Clexane® plant visit to France was also organized for leading KOLs (including a leading pharmacist) to witness state of the art facility where some essential steps of the manufacturing process of Clexane® are undertaken. This should help clinicians to administer safer and efficacious options to their patients.

In oncology, CME programs were organized under the aegis of H&N MAP and PBCC congresses in which surgeons and oncologists had the opportunity to share their experiences for mutual learning. Breast cancer awareness programs were organized in universities and hospitals of Islamabad, Karachi, Lahore and Faisalabad. Early detection can help save many a life. In Karachi, free mammography tests were arranged in collaboration with AKUH to screen patients for breast cancer. The formation of the City Tumor Board is yet another effort of sanofi-aventis towards better patient care. This brings together board-associated surgeons and oncologists to discuss their real-life cases at a common forum.

No Spa®, a rapidly rising star of the product portfolio, is indicated for the management of acute pain associated with renal, biliary, GI disorders and dysmenorrhea. A kit was prepared to provide instant medical assistance to patients seeking urgent care for pain associated with the above conditions at emergency/casualty centers. These Emergency Care Kits were placed at 890 emergency units throughout the country.

The newly launched product, Aventriax®, an injectable antibiotic (cephalosporin), showed remarkable performance by achieving the Rs 53 million mark in sales during the very 1st year of its launch. This achievement elevated Aventriax® to #12 position (from the 87th rank in 2009) among 125 ceftriaxones available in Pakistan. This rapid success of Aventriax® is the result of innovative initiatives like 'Own the Bed', 'Own the OT' and 'Surgeons Liaison Program'. To bolster the confidence of doctors in the quality of the product, stringent quality control standards and highly sterilized production facilities deployed in the manufacture of Aventriax® were shared with doctors in specially arranged plant visits.

Beyond efforts to treat patients, sanofi-aventis is highly active in preventing disease. Sanofi pasteur, (the vaccines division of sanofi-aventis) is a global leader in human vaccines. For sanofi-aventis Pakistan limited, the vaccines business is an important growth driver. A concerted effort was made throughout 2010 to collaborate with KOLs in the pediatric segment to successfully establish the optimum vaccination schedule for infants, which includes Pentaxim®. This schedule was presented by PPA (Pakistan Pediatric Association) during their recent conference in January 2011 at Rawalpindi.

The vast benefits of the sanofi-pasteur vaccine, Pneumo23®, in cases of Chronic Obstructive Pulmonary Disease (COPD) were communicated to the Pakistan Chest Society (PCS) through strong scientific data. This resulted in the inclusion of Pneumo23® by the PCS in their recently issued Chronic Obstructive Pulmonary Disease Guidelines.

Rabies is a fatal, yet preventable disease spread through the bite of a rabid animal, usually a dog. It remains a serious problem across Pakistan in terms of primary care and management. Sanofi-aventis collaborated with the Infectious Diseases Society of Pakistan to train healthcare providers on better management of animal bites in public and private institutions.

The ambition of sanofi-aventis is to make the world a healthier place through scientific discovery and by promoting a way of life that not only practices good health but preaches it, teaches it and spreads it.

Industrial affairs

Manufacturing top quality pharmaceutical products

The company that is now known as sanofi-aventis (Pakistan) first began manufacturing operations in 1972 as Hoechst Pakistan. The focus is on effectively maintaining the equilibrium between 'Quality' and 'Quantity' while catering to the growing demands of local markets. Sanofi-aventis (Pakistan) produces more than 89 million packs of life-saving medicines annually, primarily for local use & some for export.

Highly trained, qualified management staff supervise over 500 employees, coordinating and monitoring each step of the manufacturing process through a sophisticated 'Systems, Applications and Products' (SAP) computer software.

Currently, the following dosage forms are being manufactured at this facility:

- Tablets
- Capsules
- Vials
- Ampoules
- Liquids
- Sachets filling
- Ointments & creams

There is a modern Quality Control Laboratory practicing the latest modes of testing procedures, and a dedicated Quality Assurance department within the manufacturing premises, facilitating and ensuring effective in-process controls on quality.

A well-maintained materials warehouse is present within this production unit in which the materials are placed with proper segregation according to their respective storing conditions.

The plant is located in the 5000 sq meters (25 acres) Korangi Industrial Area premises of the company. It is set in lush surroundings of trees, plants & flora; well-maintained and irrigated through the use of filtered and detoxified sewerage water exhibiting the company's commitment to a healthier, ecologically sound environment.

The new oral liquids manufacturing unit

Liquid pharmaceutical products were being manufactured at the sanofi-aventis production site at Wah since 1977. The new liquid manufacturing unit at the Karachi site is essentially the transfer of products from Wah site. In the interest of enhanced automation, robustness, streamlining and qualification of process, a huge investment has been made to upgrade equipment and consolidate all production activities at one site.

The project began in September 2007 with an investment of almost Euro 5 million (Rs. 600 million), for a designed annual capacity of almost 70 million packs, with a total covered area of 3422 square meters. The facility is designed for the manufacture and development of oral liquids (suspension, syrup, emulsion, linctus, ointments & creams).

The facility has been provided with modern, independent infrastructure like oil-free air compressor, air handling units, cooling tower, chiller, waste management system. The 'Permo' purified water plant from BWT- France, is equipped with auto analysis, auto control and auto sanitization systems.



The manufacturing suite is a highly sophisticated, state-of-art facility which has been designed and qualified by internationally recognized BOCCARD, France. All the manufacturing and cleaning activities are recipe-based, with integrated and controlled PLC. The packing suite is integrated and streaming with manufacturing suite comprising high speed compact line by Marchesini, Italy.

The new building meets the latest HVAC requirements, with class II for manufacturing and filling, and class III for packing. The comprehensive facilities include EX area for alcohol, IPC & offices, workshop and technical area. In order to meet the latest GMP and HSE standards, the material warehouse, cold room, finished goods warehouse and the chiller room have all been remodeled. HSE facilities like fire detection, sprinkler, CCTV, access control, EX zone for flammable, emergency, quick action and fire rated door have been incorporated.

Illustrating the company's focus on unassailable quality for the patient, sophisticated technology has been adopted. Highly automated systems like bar code readers, auto volume control, compact and integrated CIP, hands-free manufacturing, filling and packing technology have been integrated.

This manufacturing facility was formally inaugurated on March 22, 2010 by the Federal Secretary Health, Mr. Khushnood Akhtar Lashari.

Industrial quality & compliance (IQC)

Together with all other site departments, the Quality Control / Quality Assurance and Qualification & Validation groups under Industrial Quality & Compliance (IQC) department are committed to manufacture and control products consistently in compliance with sanofi-aventis global quality standards and regulatory requirements.

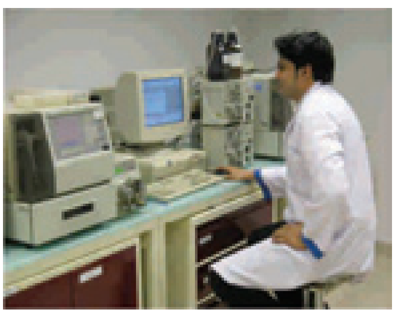
There is total dedication to the objectives of improving quality of processes, ensuring the safety and efficacy

of products while respecting and protecting the environment.

The IQC department makes regular, substantial investments on infrastructure, equipment (measuring & monitoring tools) & people development. In January 2010, the central laboratory was totally renovated with an investment of over Rs. 22 million. In addition work is in progress for creating a dedicated self-contained laboratory for cephalosporins.

The IQC department, staffed by highly skilled & well-trained professionals, supports the company's mission of responding to the needs of the patient through continuous training, knowledge sharing, collaboration between different sanofi-aventis sites and the use of appropriate tools and methodology that are relevant and easy to implement.

In addition to industry-specific concepts like change control, deviations, failure investigations, OOS, reconciliation, batch documentation etc, there is a focus on the integrating risk management principles into continuous improvement in GMP and GDP Quality Systems. In this regard, implementation of CRIDA and CAPA systems has further improved the overall compliance level of quality systems on the site.



Warehousing

The storage conditions of raw materials and of finished pharmaceutical products ultimately impact the preservation of quality and efficacy of the product. The sensitivity of this aspect of manufacturing is given due importance at sanofi-aventis Pakistan.

The material warehouse for the storage of active, raw and packaging materials is considered one of the best in the industry with a storage capacity of 3,500 pallets. Meticulous conditions of hygiene, safety and temperature are maintained at all times. It is strategically located adjacent to the production units so as to avoid cross contamination during handling and dispensing to the production unit. There is a dedicated storage facility for vaccines and products that entail maintenance of temperatures of 2º - 8º celsius.

There is a separate finished goods warehouse with a capacity of almost 2,500 pallets. This is sufficient to meet the storage and distribution needs of sanofi-aventis medicines to distributors and institutions located in different geographical areas of Pakistan.

All transactional activities in the warehouses are recorded through an integrated computerized ERP system (SAP) offering excellent inventory management, quality assurance and extensive control on FIFO, shelf life and batch management of life saving medicines.

The physical pick / pack activity and the transfer of materials are fully automated and conducted with the aid of fork lifts and power stackers. All products and materials are palletized and can easily be racked and de-racked through automatic lifting devices.

Health, safety & environment (HSE)

Sanofi-aventis places great emphasis on the health and safety of its employees, & protection of the environment. The credo of the dedicated Health, Safety & Environment (HSE) team is that “Better safety and better quality lead to better production”.

In-house medical centre

There is an on-site Medical Centre with basic first aid facilities, administered under the supervision of a trained, full-time nurse. A part-time doctor is available to employees for free consultation and an ambulance is on standby ‘round the clock for emergencies.

Training

Sanofi-aventis believes in empowering its people by equipping them with the knowledge and ability to take charge in emergency situations. Regular training sessions are conducted for fire, accident or injury situations.

Crisis management

The protection and well-being of employees, contractors and visitors is given critical importance. Crisis management and response plans have been developed to control, command, initiate and implement the actions at the site to cover crisis situations.

Fire detection and fighting system

As per the sanofi-aventis’ safety policy, all occupied areas of the plant and premises are equipped with fire detection and fire fighting systems. The fire detection system is centrally controlled and a network of smoke and heat sensors is installed all over the factory for this purpose. The fire fighting system is primarily comprised of water sprinklers connected to central fire fighting pumps.

Waste water treatment plant

In accordance with sanofi-aventis’ environmental policy, all industrial and chemical effluent is treated in a waste water treatment plant before going to the main sewer lines of the city. Aerobic biological treatment method is used to treat this waste water.

Human resources & training

Rising to the challenges of growth

As the name embodies, a company's true source of competitive advantage and sustainable growth lies in the quality of human assets it employs. We at sanofi-aventis take pride in the excellence of our human assets and their continued commitment to organizational success. Geared to this commitment are our human resource policies, development programs and promotion / incentive activities etc.

During the year 2010, the Human Resources department was involved in a number of projects, which, inter-alia included:

Recruitment

One aspect of our corporate strategy is to identify talent from across Pakistan and induct them into the organization. Talent at sanofi-aventis comprises of experienced as well as fresh university graduates. The company also has a robust Internship Program which provides students an opportunity to become acquainted with the pharmaceutical industry and attain a stronger understanding of their specific area of interest.

Our active participation at job fairs in the country's leading business schools reflects our determination and enthusiasm to pursue new talent and subsequently build a dynamic and highly competent team.

Every year, our new recruits go through a comprehensive orientation program, designed to enhance their understanding of the company, business and future outlook.

Training & development

The year 2010, saw a number of programs dedicated to human talent recognition, development and career progression. The company imparted total training of 4008 days in 2010 to 1837 employees (2009: 1389 days to 800 employees) of the company focusing on improving managerial, personal and functional effectiveness. With a total human asset force of 800 (2009:773) representing different areas of organizational growth, the human resource department designed and conducted a wide variety of training and development programs. Some of the development initiatives for the field force included:

- Licensed 2 Sell - a global initiative rolled out to all sales team (573 participants)
- Extensive technical & leadership training and sales certification
- In-house two-day training session on Key Account Management
- Business Management Certification Program to 45 employees
- New Product Training to around 250 employees
- Training on Motivation and Adoption of styles in sales
- District Managers' training on coaching
- Business Management Development Training to new District Managers
- Regionally trained an employee as facilitator on 'Evolve' (a program to coach young High Potentials)
- Employees sent abroad for training programs 'Evolve' and 'Marketing Skills'
- In continuation of last years Talent Management Program (to nurture employees through a structured career program), some senior managers were sent to Singapore and Hong Kong for special management training

Organizational development

The HR team initiated various employee-related development and engagement projects that focus on enhancing organizational effectiveness.

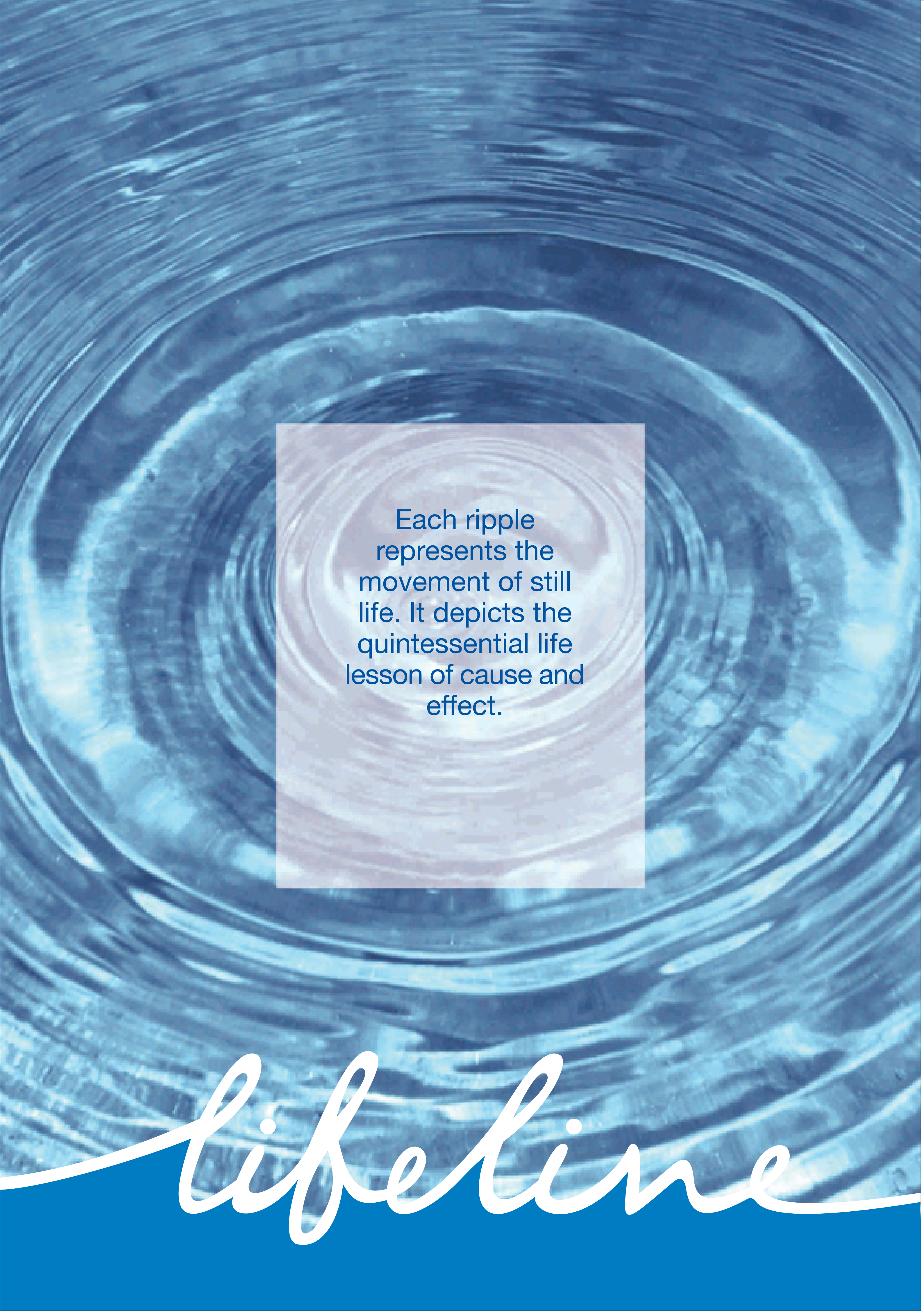
The Talent Management Program is one such initiative. Extensive discussions about employees, between HR and departmental heads, enable the organization to identify talents. Through this program, employees demonstrated or required competencies and skills are highlighted. Development plans are subsequently chalked out for their improvement and success.

The company has a structured career program which promotes healthy competition and nurtures excellence. A management training program for senior managers is organized annually, by the Group. This intense academic program refreshes employees' theoretical perspective, enabling them to link it to their profession.

The new Performance & Recognition Program, initiated by Corporate, was launched locally at the end of 2010. HR conducted training sessions for approximately 200 employees. Through these interactive sessions, employees were introduced to the process, its various elements and were able to put the principles into practice.

The sanofi-aventis Pakistan community is bound by a common set of core values. These embody our way of working, individually and collectively. HR works transversally to inculcate these values through Value Week celebrations.

Diversity is important. Every year, women are celebrated within the organization. This is part of our Diversity Day initiative. Information on health, specific to women such as osteoporosis, breast cancer etc. is disseminated to our female workforce. It is hoped that such sessions will increase women's awareness and lead to a healthier life.



Each ripple represents the movement of still life. It depicts the quintessential life lesson of cause and effect.

lifeline

Corporate social responsibility

Acting ethically and responsibly for the patient: a part of our DNA

Sanofi-aventis is today a diversified global healthcare leader, respected throughout the world. This is due to the performance of its medicines and vaccines, but it is also because of its behavior as a corporate entity, which merits confidence. Sanofi-aventis is present in over 110 countries around the world and carries a deep consciousness of contributing to the communities in which it operates.

Today sanofi-aventis' humanitarian efforts are backed by an international strategy built around the central pillar of healthcare. This includes the donation of medicines and vaccines as well as longer-term activities. This means that, in addition to reacting to humanitarian emergencies, we implement programs for disease awareness & prevention, educational and social support, and improving access to healthcare.

Our CSR approach

“Corporate Social Responsibility (CSR) lies at the core of sanofi-aventis business. Being a healthcare partner involves promoting social progress, economic development and respect for the environment as well as acting ethically and responsibly. The CSR approach places the patient at the center of the Group’s business activities. It constantly seeks a balance between access to healthcare, innovation, respect for intellectual property rights and sustainability of healthcare systems.”

Gilles LHERNOULD,
Senior Vice-President
Corporate Social Responsibility

FONDATION SANOFI ESPOIR

In October 2010, the sanofi-aventis Group founded the Sanofi Espoir Foundation, which is tasked with supporting actions of general interest in the healthcare field on an international scale.

The mission of the Foundation is to contribute to reducing health inequalities, particularly among the most needy, by focusing on key issues in prevention, training and access to care.

The Foundation's objective is to partner projects that impact health and development in such a way as to reduce the economic burden of disease and break the illness/poverty cycle.

The Sanofi-Espoir Foundation provides a dedicated operating framework, governance and additional resources to gain better leverage from initiatives already underway, and a stimulus for new projects as an ideas lab.

In practical terms, Corporate Social Responsibility for sanofi-aventis is based on four key areas:

- Responding to patients' needs Patient 21.
- Acting ethically in business and research Ethics 21.
- Upholding our commitment to employees and communities People 21.
- Limiting the impacts of Group's activities on the environment Planet 21.

The key challenges of CSR for sanofi-aventis

Patient 21:
the patient at the center
of the Group's business activities

- The right to health: access to healthcare
  - Access to healthcare in developing countries
  - Access to healthcare in developed countries
  - Sustainability of healthcare systems
  - Combating neglected tropical diseases
- Innovation: a priority
- Information and patient education
- Relationships with patient organizations
- Fight against counterfeit drugs
- Pharmacovigilance
- Product quality

People 21:
employees and local communities

- Diversity and non-discrimination
- Supporting change
- Developing talent and careers
- Occupational health and safety
- Contribution to local economic development
- Transferring skills and technology to developing countries
- Improving employee awareness about CSR

Ethics 21:
ethics in action

ETHICAL BUSINESS CONDUCT
- Respect of human rights
- Good corporate governance rules
- Fighting corruption
- Responsible marketing
- Promoting CSR among suppliers and sub-contractors
- Risk management
- Relationships with healthcare professionals

ETHICS IN RESEARCH
- Bioethics
- Ethics and transparency of human clinical trials
- Cooperation and scientifi c partnerships
- Use of animals in research

Planet 21:
environmental performance

- Environmental management system
- Local environmental footprint
- Struggle against climate change
- Environmental fate of the Group's products
- Preservation of biodiversity
- Protecting natural resources
- Managing industrial risk
- Recycling unused medicines

Why 21?

In reference to the Agenda 21, a programme run by the United Nations (UN) related to CSR and sustainability within the organizations. The number 21 also refers to the 21st century.

"Investing in Life" - March 2010

Objectives:

1. To raise health care standards in Pakistan.
2. To address the issue of cold chain maintenance during transportation of vaccines.
3. To establish sanofi-aventis role as a socially responsible corporate citizen.

Activities:

- Donated 6 cold storage vehicles to the Government's Expanded Program on Immunization (EPI) under the aegis of the Ministry of Health (MoH).
- The vehicles will help ensure the integrity of vaccines during transportation from the centre to provinces.
- A special 4-page supplement was published in Daily Dawn to mark the donation and highlight the importance of cold chain maintenance.

Flood relief - August 2010 onwards

Background:

The monsoon season (July- August) of 2010 wrought devastating, widespread floods in Pakistan. The UN called it the "worst (natural) disaster in the UN's history". Massive floods inundated the length of the country, destroying lives, livelihoods, property, crops and livestock.

Objectives:

1. To provide urgently required medical aid to affected populations.
2. To provide emergency relief in response to the natural calamity.
3. To establish sanofi-aventis as a socially responsible corporate citizen.
4. To establish the company as a benevolent employer, supporting employees at times of crisis.

Activities:

- Collaborated with NGOs, government agencies, and individuals to provide urgently required relief.
- Encouraged employees to contribute.
- Collaborated with the Pakistan Medical Association and the Pharma Bureau (representative body of pharma MNC's in Pakistan) to coordinate industry relief activities & subsequently ensured positive PR acknowledging the industry's contribution to flood relief.
- Developed a newsletter to disseminate information regarding the Group's contribution and efforts.
- Supported impacted employees by providing emergency financial help as well as temporary alternate board & lodgings facilities for them and their families.

Achievements:

- Provided medicines to treat (approximately) 1.2 million patients
- 20,000 individual treatments (Tulipe emergency trunks in collaboration with Medecins du Monde)
- 32,033 doses of typhoid vaccines
- 5,000 vials of snake venom antiserum
- Support provided to 24 affected employees
- Food rations for (approx.) 12,000 persons for 1 month
- Assortment of food, safe drinking water, medicines, shelter kits, NFIs (children and women clothes, foot wear, kitchen utensils,) water purification tablets, sanitary pads, medicated mosquito nets for 20,000 beneficiaries.
- Support for rescue missions through boat service, mobile laboratories & field medical teams, provision of cooked food to thousands of victims.

Diabetes awareness initiatives

Objectives:

1. To increase awareness of diabetes signs, symptoms, care & management.
2. To address myths & misconceptions.
3. To foster deeper understanding of neglected issues, e.g. compliance / prevention.
4. To build corporate brand equity as a leading healthcare solution provider focused on patients' needs.

A) Media campaign “Thank U sanofi-aventis” - December 2009 to March 2010

Situation analysis / rationale:

- Low awareness of diabetes signs, symptoms, care & management.
- Many myths & misconceptions.
- Minimal awareness of complications.
- Minimal understanding of prevention & compliance.
- Market gap in patient counseling & disease education.
- Electronic media is an effective medium of communication in an environment of poor reading habits and low literacy rate.

Campaign detail:

- A 13-episode television campaign on the format of a health magazine, i.e. in segments, addressing multiple topics through multiple doctors & featuring a 'short story' to highlight specific issues / topics.
- The selected TV channel (TV 1) is rated among top three entertainment local satellite channels in Pakistan.
- A 13-episode radio chat show hosted by a (medical doctor) professional radio host featuring guest speakers (doctors) selected and arranged by sanofi-aventis.
- The selected radio channel (FM 100) has nationwide coverage and high listnership.

Activities:

- Co-sponsored a 14-day nationwide bilingual print media campaign highlighting signs, symptoms, complications and management of diabetes.
- Utilized broadcast media for WDD countdown and key message dissemination.
- Utilized space at airports & railway stations for WDD messages.
- Spread key messages through collaborative relationships with Airblue & PTCL.
- The 2 swords monument (Karachi) and the National monument (Islamabad) were illuminated with blue lighting, symbolic of diabetes.
- 10,000 free blood glucose testing for patients.
- Free glucometer (200) distribution to patients to encourage self-monitoring of blood glucose.
- In-clinic lecture programs and diabetes medical advice.
- Distribution of a series of diabetes awareness brochures to educate patients on self-management techniques.
- Free blood glucose testing for all employees.

DAY 1

DAY 14

Breast cancer awareness - October 2010

Objective:

To engage female employees and educate them about the signs & symptoms of breast cancer.

Activities:

- An internal "Think Pink" campaign for all employees.
- A teaser poster campaign highlighting facts and stats of breast cancer in Pakistan.
- Information sessions with KOL highlighting risk factors, warning signs & encouraging self examination.

Initiatives ongoing from 2009

"My child matters"

"My child matters" is an innovative global partnership between sanofi-aventis and the International Union Against Cancer (UICC). It was launched in Pakistan in 2009. The 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.

2 projects in Pakistan secured continuing funding for 2010. These are:

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

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

Education

Continued sponsorship of 2 academically outstanding but underprivileged students for 4 year degrees (2009 - 2012) at the Lahore University of Management Sciences (LUMS). The selection and administration of these grants is conducted by a high level committee at the university.

The shaft of the feather holds together the barbs that make up the vane of the feather. As a whole, feathers protect and aid in flight.

lifeline

Corporate governance

Corporate governance is a system of structures and processes for the direction and control of organizations. It is a set of recommendations intended to improve the effectiveness of a company's management. Sanofi-aventis is committed to adapt its governance rules to deliver quality shareholder information and transparency.

The company's Senior Management has a clear ongoing commitment to maintaining and enhancing a reliable and effective internal control system built on ethical principles, appropriate organizational structures, well-defined responsibilities and demonstrated competencies. The overall objective is to promote the key elements of good corporate governance: transparency of management and providing shareholders with quality information

Composition of board and directors' independence

The company's approach to corporate governance is based on the Code of Corporate Governance for listed companies. Accordingly, in line with the good governance practice, the Chairman of the board is an independent non-executive director representing minority interest. The board comprises of 9 directors out of which 7 are non-executive directors, including 4 representing minority interests. Also, the functions of Chairman and Chief Executive Officer are clearly defined and separated.

The Chairman represents the Board of Directors, organizes and directs the Board's activities, and reports these at the General Shareholders' meeting. He ensures that the Board and the General Shareholders' meeting operate smoothly and in concert.

The Chief Executive Officer directs the business and represents it with respect to third parties. He enjoys the broadest powers to act on behalf of the company.

Performance evaluation of the board

The board has set the following broad criteria for evaluation of its performance being the trustee of the shareholders:

- Review of business risks, strategic plans, significant policies, financial structure, monitoring and approval
- Monitor company's performance against the planned objectives and advise management on strategic initiatives
- Ensuring maximum attendance at board meetings to enhance the quality of decision making as well as effective discharge of its roles & responsibilities
- Compliance with the applicable laws & regulations including the Memorandum and Articles of Association of the company
- Ensuring orientation of the board of directors including new appointments so that each member is fully aware of his roles & responsibilities
- Establishing adequate internal control system in the company and it's regular assessment through internal audit activities

Performance evaluation of the chief executive

The performance of the Chief Executive (CEO) is based on the criteria defined by sanofi-aventis group, which takes into account both the qualitative as well as quantitative parameters. The CEO apprises the board of the developments taking place in the pharmaceutical industry both globally and locally including the overall position and performance of the company.

Management initiatives on corporate governance

In addition to refresher on corporate governance to key management personnel, orientation on corporate governance, internal controls and risk management was given to sales teams during the year.

Ethics

Ethics are an integral part of the culture at sanofi-aventis Pakistan & guide the behavior and conduct of all employees enabling them to meet objectives efficiently, transparently and fairly. There is a comprehensive, well-structured ethics program, based on a code of conduct, which has been approved by the board and is applicable to all employees and directors.

The ethics program includes:

- Code of ethics
- Training for employees
- Means of communicating
- Mechanism to report wrongdoing
- System for detection and conducting inquiries
- Taking corrective action

The code of ethics is supplemented by various function specific codes, which include:

Financial code of ethics

This code defines the acts and omissions to be followed by senior executives, specially those responsible for public disclosure of financial information.

Early warning procedure

The company has an elaborate whistle blowing policy, relative to financial, accounting, internal control and anticorruption matters. Global as well as local channels are defined for communication of concerns.

Principles of good promotional practices

Defines the fundamental promotional rules recommended by the World Health Organisation and the International Federation of Pharmaceuticals Manufacturers Associations

Personal data protection charter

This charter outlines sanofi-aventis corporate rules for the collection, processing, use, dissemination, transfer and storage of personal data, in order to secure an adequate level of protection within the group

Code for prevention of insider trading

Defines rules for prevention of insider trading within the sanofi-aventis group

Ethical charter for buyers

This document defines the rules applicable to and the behavior required from all sanofi-aventis employees who are involved in the buying process.

Anti-corruption compliance guidelines

The Anti-corruption Compliance Guidelines are intended to raise and reinforce awareness on local and international laws, standards and principles on anti-corruption and to ensure compliance with such laws, standards and principles by all sanofi-aventis companies and employees throughout the world.

lifeline

Audit & compliance

In order to foster an ethical environment and culture, the audit and compliance department conducted various trainings during the year. Apart from business ethics, trainings were conducted on governance, internal controls, risk management and finance

Major trainings in 2010

- ## Corporate governance

  Seminar on Corporate governance organized for 35 senior and middle management employees.

- ## Code of ethics

  Trainning on the sanofi-aventis Code of Ethics, with special focus on good commercial practices, Confidentiality & Protection of Sensitive Information and whistle blowing procedures for sales teams.

- ## Finance for non-finance managers

  Workshop on finance & accounting concepts for the non-finance management staff from marketing, production, sales and quality assurance.

- ## Enterprise risk management

  Concepts and methodology of enterprise risk management to functional leads.

- ## Accounting & finance

  Conducted trainings on finance for Field Executives for the Business Certification program.

- ## eLearning on ethics

  Launched eLearning modules on Anti-Corruption and Anti-Bribery for all employees.

- ## Business ethics

  Training on business ethics, the sanofi-aventis good promotional practices, IFPMA code and drug laws given to 45 field executives enrolled in the business certification program.

- ## Ethical marketing

  Customized training on the sanofi-aventis Good Promotional Practices to Business Unit Heads, sales & district managers, marketing team and financial controllers.

- ## Risk management & controls

  Conducted workshop on risk management and internal controls for teams in Lahore and Islamabad.

Statement of compliance

with the code of corporate governance for the year ended December 31, 2010

This statement is being presented to comply with the code of corporate governance contained in listing regulation no. 35 of the Karachi Stock Exchange (Guarantee) Limited, listing regulation no. 35 of the Lahore Stock Exchange (Guarantee) Limited and chapter XI of the listing regulations of the Islamabad Stock Exchange (Guarantee) Limited, 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 interest on its board of directors. At present the board includes 7 non-executive directors, out of which 4 directors represent minority shareholders.

2) The directors have confirmed that none of them is serving as a director in more than ten listed companies including this company.

3) All the resident directors of the company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4) Syed Babar Ali is a director of sanofi-aventis Pakistan limited, who also holds similar position in IGI Investment Bank Limited which is the holding company of IGI Finex Securities Limited, a company engaged in the business of stock brokerage. However, Syed Babar Ali undertakes that neither he nor his spouse are personally engaged in the business of stock brokerage.

5) Casual vacancies occurring in the board during the year were duly filed up by the Directors.

6) The company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors and employees of the company.

7) The board has developed a vision / mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of the significant policies along with the dates on which they were approved or amended has been maintained.

8) All the powers of board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and the executive director, have been taken by the board.

9) The meetings of the board were presided over by the Chairman and, in his absence, by the Director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with the agenda and working papers, were circulated atleast seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

10) The board ensures arrangement of orientation courses for its directors to apprise them of their duties and responsibilities. For the incoming directors the orientation course will be arranged in due course. Further, as required by the amended sub-clause (iv) of clause 35 to the code ("Orientation Courses / Directors' Educational Program"), certification for the directors under "The Board Development Series" program offered by the Pakistan Institute of Corporate Governance will also be arranged in due course.

11) The board approves the appointment, remuneration and terms and conditions of employment of chief financial officer, company secretary and the head of internal audit. However, there were no new appointments of CFO, company secretary and head of internal audit during the year.

12) The directors' report for this year has been prepared in compliance with the requirements of the code and fully describes the salient matters required to be disclosed.

13) The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.

14) The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

15) The company has complied with all the corporate and financial reporting requirements of the code.

16) The board has formed an audit committee. It comprises of three members, two of whom are non-executive directors including the Chairman of the audit committee.

17) The meetings of the audit committee were held 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 committee have been formed and advised to the committee for compliance.

18) The board has set-up an effective internal audit function.

19) 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 International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

20) 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.

21) All related party transactions have been placed before the audit committee and approved by the board of directors alongwith pricing methods for transactions carried out on terms equivalent to those that prevailed in the arms length transactions.

22) We confirm that all other material principles contained in the code have been complied with.

By order of the Board

Syed Babar Ali	Tariq Wajid
Chairman	Chief Executive

Dated: February 11, 2011

Review report to the members
on Statement of Compliance with Best Practices of Code of Corporate Governance

ERNST & YOUNG

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530, Pakistan

Tel: +9221 565 0007
Fax: +9221 568 1965
www.ey.com/pk

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of sanofi-aventis Pakistan Limited (the company) to comply with the Listing Regulation No. 35 of The Karachi Stock Exchange (Guarantee) Limited, Listing Regulation No. 35 of the Lahore Stock Exchange (Guarantee) Limited and Chapter XI of the Listing Regulations of the Islamabad Stock Exchange (Guarantee) Limited, where the company is listed.

The responsibility for compliance with the Code 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 reflects the status of the company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the company's personnel and review of various documents prepared by the company to comply with the Code.

As part of our audit of 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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the company's corporate governance procedures and risks.

Further, Sub-Regulation (xiii a) of Listing Regulation 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the company to place before the Board of Directors for their consideration and approval related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code, effective for the year ended 31 December 2010.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Karachi: 11 February 2011

Calendar of major events

Month	Event	Description
Meetings		
February	Board & audit committee	Consider & approve results for the year 2009
March	AGM	42nd Annual General Meeting held in Karachi
April	Board & audit committee	Consider & approve results for Q1' 2010
August	- do -	Consider & approve results for Q2' 2010
October	- do -	Consider & approve results for Q3' 2010
Line extension of existing product		
January	Coaprovel® (300/25 mg)	Most recent class of anti-hypertensive drugs; angiotensine II receptor antagonists (ARB's)
Other events		
January	Annual sales conference	Celebrated sales success for the year 2009
March	Business Management Program	2 year Business Management Certification for 45 field executives in collaboration with the Institute of Business Administration
March	Corporate Social Responsibility (CSR)	Donated 6 cold storage vehicles to the Government's Expanded Program on Immunization (EPI)
April	State of the art Liquid Manufacturing facility	Commencement of commercial production at one place in Karachi
August onwards	CSR	Generous donations made for the flood victims of Pakistan
October	Corporate Award	Annual report for 2009 awarded 1st Position in the Chemicals & Fertilizers category by the Joint Committee of ICAP and ICMAP
November - December	Landmark achievements of key products	For the second consecutive year Flagyl® recorded sales of more than Rs.1 billion. In addition, Claforan® and Amaryl® crossed the Rs.500 million land-mark in gross sales
November - December	e-Performance Assessment	New e-Performance and Recognition approach rolled out to all employees
December	Corporate Award	Annual report for 2009 was adjudged the Joint Winner in the Hospitality, Health, Transport & Shipping category by SAFA

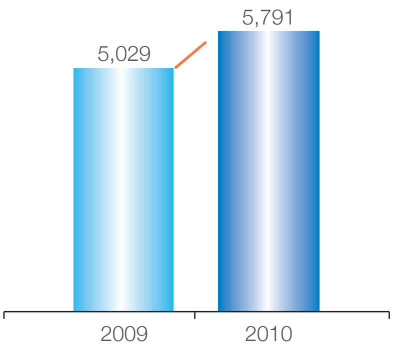
Directors' report

We are pleased to present the Annual Report and the company's audited financial statements for the year ended December 31, 2010. 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

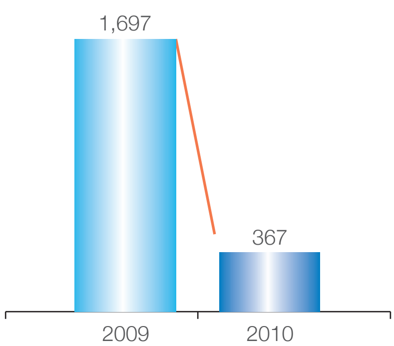
We are pleased to inform that net sale for the year ended December 31, 2010 at Rs.6,158 million comprised of Rs.5,792 (2009: Rs. 5,029) million and Rs.366 (2009: Rs.1,697) million attributable to pharmaceutical and the vaccine products, respectively. Thus our pharmaceutical products recorded a growth of 15.2% over last year. This healthy increase in pharmaceutical sales primarily represents volume growth of our key brands and to a marginal extent an impact of new product launches and price increases on account of hardship cases (4 products after June 2009 and 2 more SKU's in June 2010). The sales growth as above is the result of our strategy implemented at the beginning of the year to become *"A diversified health-care company with patient centric approach"* together with restructuring of the sales and marketing organizations and consistent sales and marketing efforts.

Net sales - pharmaceuticals
(Rs. million)



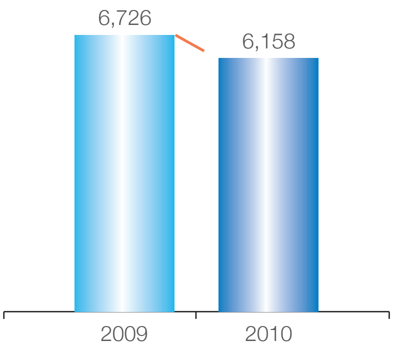
+ 15.2% growth on a reported basis
+ 14.3% volume growth
+ 0.9% price increase

Net sales - vaccines
(Rs. million)



-78.4% decline on reported basis because of EPI tender sales (polio vaccines)

Net sales - company
(Rs. million)

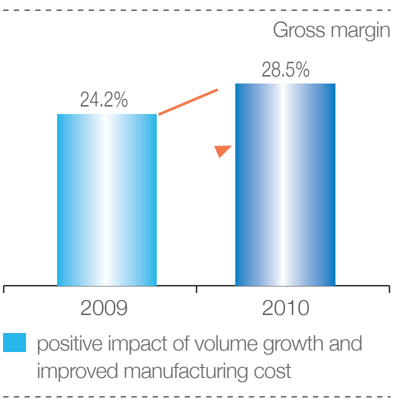


-8.4% decline on a reported basis

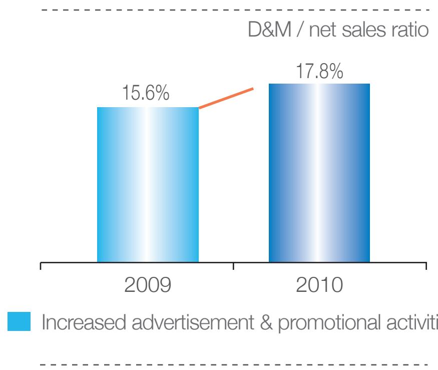
In line with our strategy of accelerating growth, through introduction of new products, adding new lines of business and maintaining leadership of our key products, a line extension of Coaprovel® (300/25 mg) was added to our portfolio in 2010. Coaprovel® belong to the most recent class of anti-hypertensive drugs; angiotensine II receptor antagonists (ARB's).

The decline in the vaccines sales was attributed to tender business because tender invited by the Government based on the current requirements (case detection) were not for mOPV1 & mOPV3 and also lesser usage / requirement of tOPV based on WHO recommendation resulted in increase of bPOV usage where at present we do not have products available for sale in this segment.

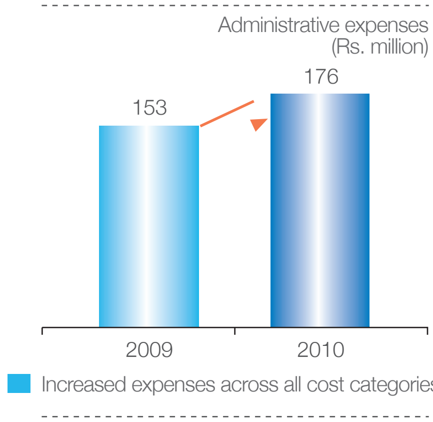
As mentioned in our earlier reports, we are continuously transforming our business to meet the challenges that lie ahead. Accordingly, despite continuous pressure, due to depreciation of Pak Rupee, soaring inflation, frequent power break-downs etc, we were able to improve our gross margins as a percentage of net sales from 24.2% to 28.5% representing efforts made by the company's management to ensure sustainable growth and adequate return for the shareholders as a whole.



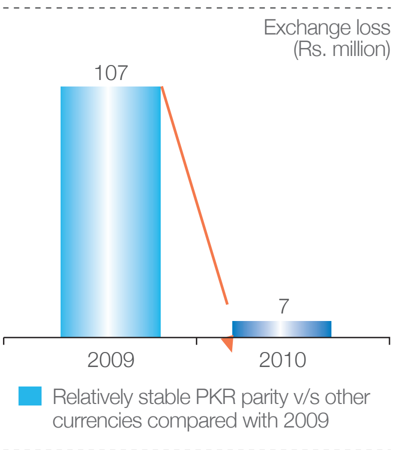
Distribution and marketing expenses have increased both in absolute terms (by 4.4%) as well as a % of net sales from 15.6% to 17.8%. The increase is attributable to the pharmaceuticals business activities with increased spending on advertising and promotional activities coupled with higher utility, traveling & conveyance, handling, freight & transportation costs (due to fuel prices), adverse exchange parity impact relating to imported items (e.g. medical journals etc), depreciation charge (consequent to sales offices renovation & new vehicles purchase) and the impact on account of general inflation. The increase as explained above was offset by reduced selling expenses especially commission expenses pertaining to the vaccines tender business.



Administrative expenses increased by 14.9% due to exorbitant increases recorded in all cost categories especially utility expenses, rising costs for security, travelling & conveyance, repairs & maintenance, canteen food, depreciation charge on new vehicles, general inflation etc.

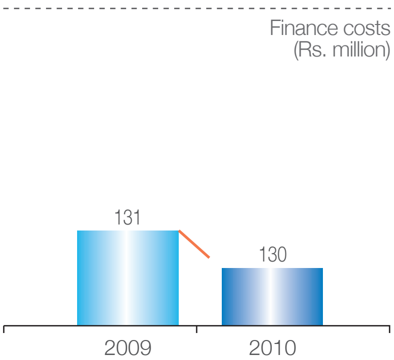


Other operating cost for the period mainly includes statutory charges (i.e. workers profit's participation fund, workers welfare fund and central research fund), which are all related to profit and have increased due to increase in profit before tax for the year 2010. These also include exchange loss amounting to Rs.6.9 million which is significantly lower than last year.

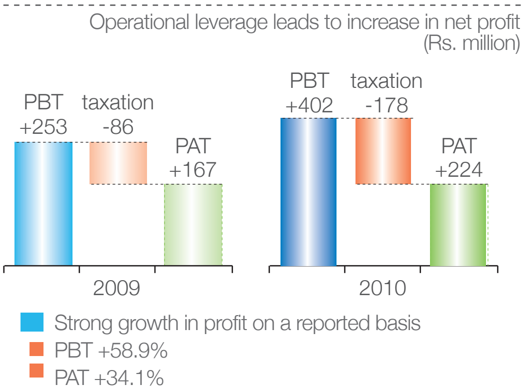


Operating income for the year included Rs.71 million on account of voluntary financial support received from Sanofi Pasteur in respect of the vaccines business, gain of Rs.10.9 (2009: Rs.9.9) million on disposal of certain fixed assets, Rs.7.8 (2009: Rs.6.9) million representing rental income from Bayer Cropscience (Private) Limited and scrap sales of Rs.7.9 (2009: Rs.4.9) million whereas the prior comparative period mainly included gain on disposal of freehold land and building, located in Rawalpindi, of Rs.49.6 million.

We were able to manage our financing cost and it marginally decreased by 0.7% over last year despite the continuing high mark-up rates.



Profit after tax at, Rs.224.02 million is 33.9% higher than 2009 because of high sales growth of pharmaceutical products and cost controls put in place.



In 2010 approximately 86% of our sales were on cash before delivery basis to 16 regional distributors. The remaining 14% sales were made on credit to large hospitals and government institutions. Effective credit control procedures are in place and the debtors' turnover ratio as of December 31, 2010 is 15 days as compared with 14 days last year.

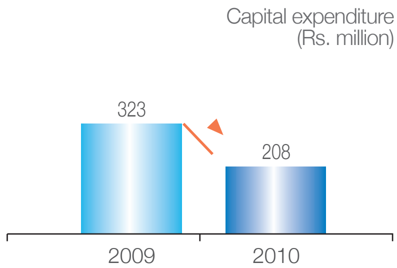
Industry leadership

According to the last IMS market report sanofi-aventis is now ranked 5th in the pharmaceutical industry of Pakistan, with a market share and growth rate of 4.5% (2009: 4.4%) and 16% (2009: 17%) respectively. Since the transformation of the group globally, sanofi-aventis S.A. France, now is one of the world's leading *"diversified health-care company with patient centric approach"* offering medicines, consumer health care products and generics.

Capital expenditure

We continued to invest significantly in expansion of production facilities and modernization of plant and machinery. Capital investments were made in various areas of our manufacturing facilities for balancing, modernization and upgrading infrastructure.

During the year under report an amount of Rs.228.1 (2009: Rs.323.2) million was incurred on various capital expenditure projects. These mainly included investments on state of the art liquid manufacturing project (Rs.27.3 million), compact filling line (Rs.24.8 million), Steam Sterlizer (Rs.22.3 million) and QC Laboratory (Rs.14.5 million) etc.



An amount of Rs.592.9 (2009: Rs.133.7) million was capitalized and transferred to fixed assets, which primarily represented capitalization of liquid manufacturing project (i.e. shifting of entire production facility to one place - at Karachi). The liquid project as mentioned in our earlier reports was completed well within the project time-line with commercial production starting in the month of April 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.

Profit, finance & taxation

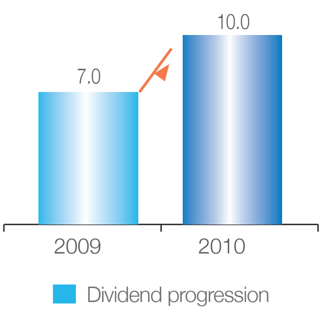
The management of the company is continuously focused in taking steps to improve the performance and profitability to ensure the overall sustainability as well as appropriate return for the shareholders. As a result of such initiatives based on the company's strategy the company's profitability both before and after tax has increased significantly over the prior year by 58.7% and 33.9% respectively despite the challenging business environment and adverse impact on profitability due to price freeze maintained on our products (as detailed in the "Business Overview" section above) Pak Rupee depreciation, double digit inflation, higher financing costs etc.

The profit, taxation and proposed appropriations are stated below:

	(Rs. in '000')
Profit for the year before taxation	401,641
Taxation :	
Current - for the year	(86,526)
prior period	(13,644)
Deferred	(77,447)
Total	(177,617)
Profit after taxation	224,024
Unappropriated profit brought forward	12,402
Actuarial gain recognized directly in equity - net off deferred taxation	(6,185)
Profit available for appropriations	230,241
Appropriations :	
Proposed final dividend @100% out of profits for the year ended December 31, 2010	(96,448)
Transfer to reserve	(125,000)
	(221,448)
Unappropriated profit carried forward	8,793

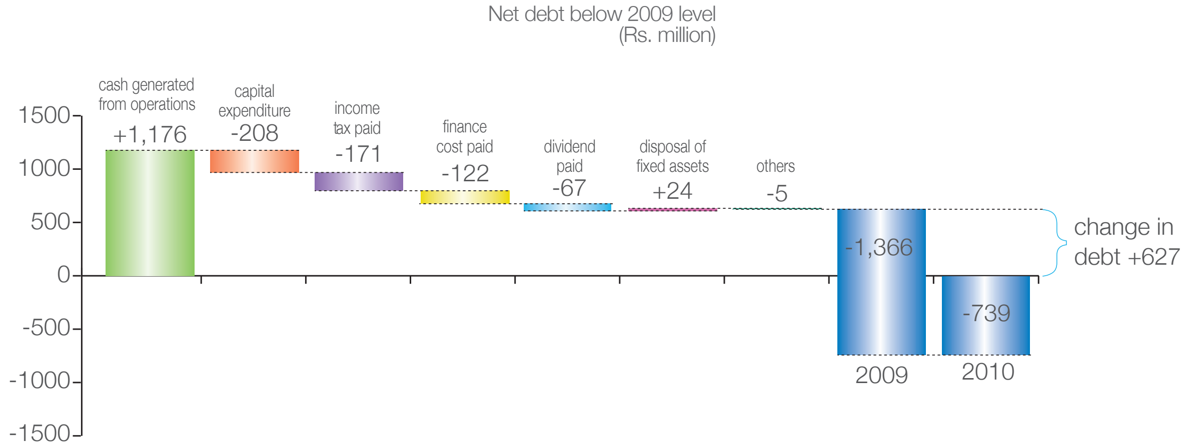
A good return & payout to shareholders is one of the primary objectives of your company. The directors of the company are pleased to recommend a final dividend of Rs.10.00 per share (100%), for approval by the shareholders. Further, taking into account the overall borrowings of the company as of December 31, 2010 and capital commitments, the directors approved a transfer of Rs.125 million from unappropriated profit to general reserve.

Dividend is a key element of our value proposition to shareholders
(Rs. per share)



Cashflow

Total bank borrowings as at December 31, 2010 of Rs.738.7 million (2009: Rs.1,365.8 million) comprised of term finance loan and short term borrowing amounting to Rs.500 million and Rs.238.7 million (2009: Rs.1,365.8 million) respectively. These have reduced significantly by Rs.627.1 million due to positive cash flows from operating activities (Rs.880.3 million - which is the result of increased profitability and positive impact in working capital compared to prior years, consequent to sales growth of our pharmaceutical products, recovery of vaccines business outstanding of Rs.214.5 million as of December 31, 2009, which is partly offset by payments for finance cost and income tax of Rs.121.9 million and Rs.171.3 million respectively). The aforesaid cash inflows were offset by payment of Rs.208.1 million for capital expenditure and Rs. 67.3 million in respect of dividends.



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.

Our pension and gratuity liabilities are affected by factors such as the performance of plan assets, interest rates, actuarial data and experience and changes in laws and regulations

Our future funding obligations for our defined-benefit pension and gratuity plan depend on changes in the future performance of assets held in trust for these plans, the interest rates used to determine funding levels (or company liabilities), actuarial data and experience, inflation trends, the level of benefits provided for by the plans, as well as changes in laws and regulations. Adverse changes in those factors could increase our unfunded obligations under such plans, which would require more funds to be contributed and hence negatively affect our cash flow and results.

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 that 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.

As mentioned last year, 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.

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 86% of our sales. Whereas we seek to manage our credit risk exposure as described in note 35.2 to the financial statements.

Risks relating to financial markets

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. We are particularly sensitive to movements in exchange rates for the euro, the U.S. dollar, the British pound, and the Japanese yen. The management policy to manage the currency risk has been described in note 35.1.1 to the financial statements.

Related party transactions

All related party transactions, during the year 2010, 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 methods and the 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 33 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

SAFA Best Presented Accounts Award 2009

The South Asian Federation of Accountants (SAFA) recently adjudged our Annual Report for the year ended December 31, 2009 as the “Joint Winner” in the “Hospitality, Health, Transport & Shipping Category”. The award distribution ceremony was held in Katmandu, Nepal.

Annual Report 2009 Judged Best Corporate Report - Chemicals & Fertilizers Sector of Pakistan

The Board feel immense pleasure in informing the shareholders that the company's Annual Report was awarded the “First Position” in the “Chemicals & Fertilizers sector” by the Institute of Chartered Accountants of Pakistan and the Institute of Cost and Management Accountants of Pakistan.

These awards seek to promote corporate accountability, transparency and governance through the publication of timely, informative, factual and reader friendly annual reports. This is a wonderful performance and the Board acknowledges and appreciates the whole team for this achievement.

Best Corporate Report Award 2009

Contribution to the national exchequer

During the year the company paid over Rs.422.3 (2009: Rs. 371.1) 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, brief detail of which are given on page 39 to page 43 to the Annual Report:

- In response to the massive destruction due to widespread floods across the country, the company formed a “Flood Relief Committee”, which worked very hard to coordinate relief activities to provide aid in the form of cash, vaccines and medicines to the victims through NGO's, individuals and government agencies.

  The total value of the above activities amounted to Euro 500,000, contributed by our major shareholder sanofi-aventis group.

- In addition to above, the company also contributed an amount of Rs.082 million to the “Pharma Bureau of Information & Statistics” (a sub-committee of Overseas Investors Chamber of Commerce Industry) as disclosed in note 25.2 to the financial statement.

- In order to increase awareness of diabetes signs, symptoms, care and management amongst the patients and public at large, very initiates / activities were undertaken during the year, which inter-alia included:

  - Media Campaign by the name of *“Thank U sanofi-aventis”*

  - Co-sponsoring a 14-day nationwide “bilingual print media campaign” highlighting signs, symptoms, complications and management of diabetes.

- Once again 2 projects for Pakistan were awarded grants by sanofi-aventis S.A., France, amounting to Euro 40,000 in total, for “My child matters”, an innovative global partnership between sanofi-aventis and the International Union Against Cancer (UICC). The 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 and the projects that secured funding during the year 2010 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*

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.

- For the second year, the company provided complete 1 year sponsorship amounting to Rs.1.64 million, of two underprivileged students with outstanding abilities during their 4 year LUMS degree, as disclosed in note 25.2 to the financial statement.

- To raise the health care standards and address the issue of cold chain maintenance during the transportation of vaccines, the company donated 6 cold storage vehicles to the Government's Expanded Program on Immunization (EPI) under the aegis of the Ministry of Health (MoH).

Donation of cold storage vehicles

- Renovation project initiated in 2009 in respect of Polyclinic (Federal Government Services Hospital) to upgrade its facilities was completed in line with the project timeline in the month of February 2010.

Information technology

As part of our group strategy we continued with our policy to invest more and more in Information Technology (IT) and upgrade of related infrastructure, thereby continuously improving and enhancing both qualitative and quantitative aspects of management reporting including decision making processes. IT spending during the year amounted to over Rs.8.9 (2009: Rs.9) million.

Following are some of the highlights relating to IT activities:

Infrastructure

- extended email services to 400+ sales staff;
- investment in new servers;
- implementation of virtualization technology, which reduces the number of physical servers by optimizing IT infrastructure. The result is more scalable and a greener IT environment; and
- upgrades to sales offices on fiber optic backend and high speed connectivity to head office.

Business solutions

- eTMS system that manages sales force monitoring, performance, incentives, primary and secondary sales; and

- on going improvements to daily call reports, sales analysis, personal KPIs and other field related information.

Business process improvements

We continuously strive to seek excellence in process improvement. We have managed to improve various processes across the organization eliminating manual paper work as much as possible. Some of our business process projects have been very successful and included:

- Upgrade to our enterprise ERP solution SAP to latest version. This required extensive offshore training to our key users;

- ePerformance - Employee appraisal is a long and challenging process for every company. This new tool was developed to reduce paper based exercise, improve record keeping, enforce timelines and ensure compliance to the appraisal process;

- ePR - Electronic Purchase Requisition system which has now been further improved to integrate directly with SAP and simplifies and automates the purchase process throughout the organization. The system automatically enforces financial controls and manages thresholds simplifying tasks for financial controlling; and

- ESS - Employee Self Service has been enhanced and extended to our field force. A powerful 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 310 employees utilizing 450 hrs and covering various topics especially First Aid and Fire Fighting;
- Automated External Defibrillator (AED) added in our medical centre to help the patient during sudden cardiac arrest;
- Dedicated QC laboratory constructed in Claforan building to avoid cross contamination;
- Automatic Fire detection system installed and qualified in material and finished goods warehouse;
- Ensured safety of Contractors and their staff during execution of various projects through effective monitoring of safety guidelines;
- launched energy conservation program.

Our commitment to Environment, Health & Safety is manifested in all our activities as a no major accident was reported in 2010.

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 complies 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

During the year, two of the Directors namely Mr. Eric Le-Bris and Mr. Tariq Iqbal Khan resigned from the Board. The resignation of Mr. Eric Le-Bris was due to change in regional roles and responsibilities whereas resignation of Mr. Tariq Iqbal Khan (representing National Investment Unit Trust Limited) was consequent to his retirement from the NIT. The casual vacancy was filled by the nomination of Mr. Francois-Xavier Duhalde and Mr. Hussain Lawai respectively and duly approved by the Board.

We would like to place on record our appreciation for the support received from Mr. Eric Le-Bris and Mr. Tariq Iqbal Khan during their tenure.

The most senior member of the Board Mr. Pir Ali Gohar passed away during the year. He was associated with the company since its inception that is prior to the listing of the company in 1977. May God give eternal peace to the departed soul and patience to the bereaved family members to bear the irreparable loss. Late Pir Ali Gohar was a very visionary and dynamic person and his valuable contributions during his association would be remembered forever.

The casual vacancy in place of Late Pir Ali Gohar has been filled by the nomination of Mr. Arshad Ali Gohar (who already was an alternate director on the Board of Directors), duly approved by the Board.

Subsequent to the year end, Mr. J.L. Grunwald resigned from the Board of Directors, which was also due to change in regional roles and responsibilities assigned to him by the sanofi-aventis group. The casual vacancy in this regard has been filled by Mr. Shailesh Ayyangar, which was also approved by the Board. The Board appreciated the valuable contribution and guidance received from Mr. J. L. Grunwald.

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. However, after the resignation of Mr. Eric Le-Bris from the Board of Directors, the audit committee was reconstituted and is composed of the following 2 non-executive directors and one alternate director:

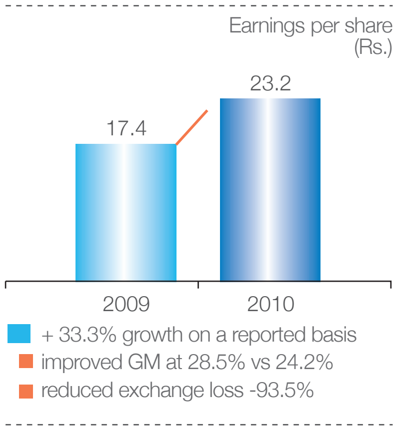
- Mr. Syed Hyder Ali
  Chairman (Non-Executive Director)
- Mr. Francois-Xavier Duhalde
  Member (Non-Executive Director)
- Dr. Amanullah Khan
  Member (Executive Director)
- Mr. Yasser Pirmuhammad
  Secretary (Head of Audit & Compliance)

Pattern of shareholding

A statement of the pattern of shareholding is shown on page 108 to the financial statements.

Earnings per share

The earnings per share after tax was Rs.23.2 (2009: Rs.17.4).



Holding company

The company is a subsidiary of SECIPE, France, holding 5,099,469 (2009: 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, 2011 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, 2011.

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.

- 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 113 to 117.

- The value of investments of provident, gratuity and pension funds based on their accounts (audit in progress) as at December 31, 2010 was as follows:

	Rupees in '000
Provident Fund	274,494
Gratuity Fund	195,541
Pension Fund	283,231

- 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	3
Tariq Wajid	4
Pir Ali Gohar	none
Syed Hyder Ali	4
Tariq Iqbal Khan	2
Hussain Lawai	none
Jean Louis Grunwald	none
Eric Le-Bris	none
Francois-Xavier Duhalde	none
Jean-Marc Georges	none
M. Z. Moin Mohajir	4
Arshad Ali Gohar (Alternate for Mr. Pir Ali Gohar)	2
Mohammad Amjad (Alternate for Jean- Mark Georges)	2
Shakeel Mapara (Alternate for Mr. Eric Le-Bris / Francois-Xavier Duhalde)	2
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

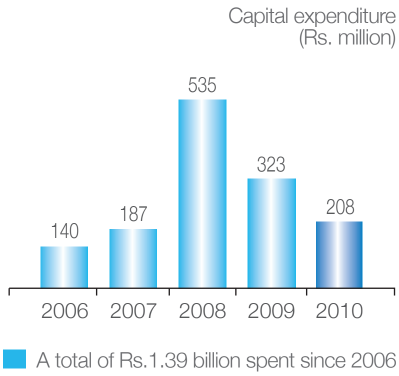
Business Operations - sales & profitability

The Pharmaceutical Environment both globally and locally is posing new challenges and becoming tougher with each passing day for the existing industry players primarily due to patent expiration; NCE / generic registration; pricing challenges and GMP practices etc. On the other hand it is also creating an opportunity for the global companies in the emerging markets known as *"Pharmerging Markets".*

Therefore, notwithstanding unforeseen events, we believe your company has the potential to maintain sales growth in line with the industry trend and the company's management is continuously focused in taking initiatives for improving business performance as well as overall profitability.

Capital expenditure

A total of Rs.208 million was spent on various projects during the year 2010 with a plan to spend over Rs.300 million in the year 2011. Significant portion of the capital expenditure pertains to expansion, modernization, balancing, and upgrading of our production facilities.



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 34% (2008: 51%), has improved significantly over last year due to various initiatives undertaken by the company's management. As disclosed in note 14 to the financial statements, the company's Wah manufacturing facility is available for sale, the proceeds from disposal of which 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 during 2010, and is thankful for the trust and confidence reposed in the board by the shareholders.

We are 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 2010.

By order of the board

Syed Babar Ali	Tariq Wajid
Chairman	Chief Executive

Karachi: 11th February, 2011

Auditors' report to the members

ERNST & YOUNG

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530, Pakistan
Tel: +9221 565 0007
Fax: +9221 568 1965
www.ey.com/pk

We have audited the annexed balance sheet of SANOFI-AVENTIS PAKISTAN LIMITED as at 31 December 2010 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 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, 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 2010 and of the profit, total 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, 2011
Place: Karachi

A member firm of Ernst & Young Global Limited

Balance sheet
as at December 31, 2010

	Note	December 31, 2010 Rs '000	December 31, 2009 Rs '000
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	3	1,408,921	1,393,347
Intangible asset	4	339	114
		1,409,260	1,393,461
Long-term loans	5	5,659	3,818
Long-term deposits	6	4,669	4,609
CURRENT ASSETS			
Stores and spares	7	39,178	38,312
Stock-in-trade	8	1,148,158	1,136,737
Trade debts	9	156,547	345,808
Short-term loans and advances	10	15,722	25,865
Trade deposits and short-term prepayments	11	50,395	29,573
Other receivables	12	122,548	140,399
Taxation - payment less provision		389,354	318,225
Cash at banks	13	2,110	2,286
		1,924,012	2,037,205
NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE	14	4,827	-
TOTAL ASSETS		3,348,427	3,439,093
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share Capital	15	96,448	96,448
Reserves	16	1,364,955	1,196,001
		1,461,403	1,292,449
NON-CURRENT LIABILITIES			
Long-term financing	17	375,000	-
Liability against asset subject to finance lease	18	5,008	7,233
Deferred taxation	19	138,199	64,082
		518,207	71,315
CURRENT LIABILITIES			
Trade and other payables	20	975,503	688,329
Accrued mark-up		27,249	19,182
Short-term borrowings	21	238,744	1,365,759
Current maturity of long-term financing		125,000	-
Current maturity of liability against asset subject to finance lease		2,321	2,059
		1,368,817	2,075,329
CONTINGENCIES AND COMMITMENTS	22		
TOTAL EQUITY AND LIABILITIES		3,348,427	3,439,093

The annexed notes 1 to 39 form an integral part of these financial statements.

Syed Babar Ali
Chairman

Tariq Wajid
Chief Executive

Karachi: 11th February, 2011

Profit and loss account
for the year ended December 31, 2010

	Note	December 31, 2010 Rs '000	December 31, 2009 Rs '000
NET SALES	23	6,158,295	6,725,708
Cost of sales	24	(4,404,751)	(5,099,109)
GROSS PROFIT		1,753,544	1,626,599
Distribution and marketing expenses	24	(1,094,063)	(1,048,283)
Administrative expenses	24	(175,580)	(152,707)
Other operating expenses	25	(54,439)	(142,664)
Other operating income	26	102,220	101,126
		(1,221,862)	(1,242,528)
OPERATING PROFIT		531,682	384,071
Finance costs	27	(130,041)	(131,012)
PROFIT BEFORE TAXATION		401,641	253,059
Taxation	28	(177,617)	(85,688)
NET PROFIT FOR THE YEAR		224,024	167,371
BASIC EARNINGS PER SHARE (Rs. per share)	29	23.23	17.35

The annexed notes 1 to 39 form an integral part of these financial statements.

Syed Babar Ali
Chairman

Tariq Wajid
Chief Executive

Karachi: 11th February, 2011

lifeline

Statement of comprehensive income
for the year ended December 31, 2010

	December 31, 2010 Rs '000	December 31, 2009 Rs '000
Net profit for the year	224,024	167,371
Other comprehensive income for the year		
Actuarial (losses) / gains recognized directly in the equity	(9,515)	22,578
Deferred tax on actuarial losses / (gains) recognized directly in the equity	3,330	(7,902)
Total other comprehensive (loss) / income - net of tax	(6,185)	14,676
Total comprehensive income for the year	217,839	182,047

The annexed notes 1 to 39 form an integral part of these financial statements.

Syed Babar Ali
Chairman

Tariq Wajid
Chief Executive

Karachi: 11th February, 2011

Cash flow statement
for the year ended December 31, 2010

	Note	December 31, 2010 Rs '000	December 31, 2009 Rs '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	30	1,175,506	57,523
Finance costs paid		(121,974)	(143,916)
Income tax paid		(171,299)	(148,078)
Long-term loans and advances (net)		(1,841)	2,543
Long-term deposits (net)		(60)	(1,284)
Net cash generated from / (used in) operating activities	31	880,332	(233,212)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(208,086)	(323,181)
Sale proceeds from disposal of operating fixed assets		23,515	16,355
Sale proceeds from disposal of non-current assets classified as held for sale		-	58,500
Interest received		325	3,112
Net cash used in investing activities		(184,246)	(245,214)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of liability against asset subject to finance lease		(1,963)	(1,211)
Repayment of short-term borrowings		(530,000)	-
Short-term borrowings obtained		-	530,000
Dividends paid		(67,284)	(13,510)
Long-term financing obtained		500,000	-
Net cash (used in) / generated from financing activities		(99,247)	515,279
NET INCREASE IN CASH AND CASH EQUIVALENTS		596,839	36,853
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		(833,473)	(870,326)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	32	(236,634)	(833,473)

The annexed notes 1 to 39 form an integral part of these financial statements.

Syed Babar Ali
Chairman

Tariq Wajid
Chief Executive

Karachi: 11th February, 2011

lifeline

Statement of changes in equity
for the year ended December 31, 2010

	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, 2009	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
Employee benefit cost under IFRS 2 - "Share based Payment"	-	-	-	18,628	-	-	18,628
Final dividend @ Rs.7.00 per Ordinary shares of Rs.10 each for the year ended December 31, 2009	-	-	-	-	-	(67,513)	(67,513)
Transfer to general reserve	-	-	-	-	125,000	(125,000)	-
Net profit for the year	-	-	-	-	-	224,024	224,024
Other comprehensive loss for the year	-	-	-	-	-	(6,185)	(6,185)
Total comprehensive income for the year	-	-	-	-	-	217,839	217,839
Balance as at December 31, 2010	96,448	5,935	18,000	50,241	1,060,538	230,241	1,461,403

The annexed notes 1 to 39 form an integral part of these financial statements.

Syed Babar Ali
Chairman

Tariq Wajid
Chief Executive

Karachi: 11th February, 2011

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 judgement 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 judgements, 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.

(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 16.1 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 22.1(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 judgements 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 32 - Financial Instruments: Presentation - Classification of Right Issues (Amendment)	01 February 2010
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	01 July 2010
IAS 24 - Related Party Disclosures (Revised)	01 January 2011
IFRIC 14 - IAS 19 - The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interaction (Amendments)	01 January 2011
IAS 12 - Income Taxes : Deferred Tax Amendment - Recognition of Underlying Assets	01 January 2012

The company expects that the adoption of the above revisions, amendments and interpretations of the standards will not 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. Such improvements are generally effective for accounting periods beginning or after 01 January 2011. 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 Standards or interpretations effective in 2010 but not relevant to the company

The company has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year. However, these are either not relevant or do not have any effect / material effect on the financial statements of the company:

IFRS 2 - Share-based Payments: Amendments relating to Group Cash-settled Share- based Payment Transactions
IFRS 3 - Business Combinations (Revised)
IAS 27 - Consolidated and Separate Financial Statements (Amendment)
IAS 39 - Financial Instruments: Recognition and Measurement - Eligible hedged items (Amendments)
IFRIC 17 - Distributions of Non-cash Assets to owners

In May 2008 and April 2009, International Accounting Standards Board issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

Issued in May 2008

IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations

Issued in April 2009

IFRS 2 - Share-based Payments
IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations
IFRS 8 - Operating Segments
IAS 1 - Presentation of Financial Statements
IAS 7 - Statement of Cash Flows
IAS 17 - Leases
IAS 36 - Impairment of Assets
IAS 38 - Intangible Assets
IAS 39 - Financial Instruments: Recognition and measurement
IFRIC 9 - Reassessment of Embedded Derivatives
IFRIC 16 - Hedges of a Net Investment in a Foreign Operation

The adoption of the above standards, amendments / improvements and interpretations did not have any material effect on the financial statements of the company.

2.6 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.

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.

2.7 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.

2.8 Long term loans and deposits

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

2.9 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.

2.10 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.

2.11 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.

2.12 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, 2010. 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 comprehensive income 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.

2.13 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.

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.

2.14 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 represent balances with banks net of outstanding balance of running finance facilities availed by the company.

2.15 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).

2.16 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.

2.17 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.

2.18 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.

2.19 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.

2.20 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.

2.21 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.

2.22 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.

2.23 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.

2.24 Borrowing Costs

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 capitalized as part of the cost of the respective assets. All other borrowing costs are expensed 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.

2.25 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.

2.26 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.

2.27 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.

2.28 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.

2.29 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.

	Note	December 31, 2010 Rs '000	December 31, 2009 Rs '000
3. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	3.1	1,289,113	774,373
Capital work-in-progress	3.2	119,808	618,974
		1,408,921	1,393,347

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, 2010										
Opening net book value	149	339	3,935	357,634	270,681	15,644	38,911	77,802	9,278	774,373
Total additions	-	-	-	203,516	440,988	10,820	17,413	34,062	-	706,799
Disposals	-	-	-	-	(988)	-	(179)	(11,365)	-	(12,532)
Write offs*	-	-	-	-	-	-	(170)	-	-	(170)
Transfer to non-current assets classified as held-for-sale (note 14.1)	(149)	-	(3,500)	-	(1,178)	-	-	-	-	(4,827)
Depreciation charge	-	(6)	(435)	(30,282)	(101,128)	(3,099)	(14,555)	(22,400)	(2,625)	(174,530)
Closing net book value	-	333	-	530,868	608,375	23,365	41,420	78,099	6,653	1,289,113
GROSS CARRYING VALUE BASIS										
As at December 31, 2010										
Cost	-	480	-	711,104	1,327,932	38,497	161,194	119,736	10,503	2,369,446
Accumulated depreciation	-	(147)	-	(180,236)	(719,557)	(15,132)	(119,774)	(41,637)	(3,850)	(1,080,333)
Net book value	-	333	-	530,868	608,375	23,365	41,420	78,099	6,653	1,289,113
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
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
Depreciation rate % per annum	-	1.23	5	5	10	10	7-33	20	20	

* Assets written off represent computer notebooks snatched during the year from the company employees.

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)---------------------					
Plant & Machinery	630	262	368	345	Negotiation	Interlink Engineering D-70, Block-4, Gulshan-e-Iqbal, Karachi
	610	269	341	345	– do –	– do –
	520	241	279	210	– do –	Zubair Brothers G. Plot# D-55, Shair Shah Market, Haroonabad
			Karachi			
	1,760	772	988	900		
Factory & Office Equipment	263	173	90	90	Negotiation	– do –
	262	173	89	90	– do –	– do –
Items having book value of less than Rs.50,000 each	4,370	4,370	-	27	Various	Various
	4,895	4,716	179	207		
Vehicles	1,464	488	976	616	Company Policy	Ahmed Sultan (Ex-Employee) A-21,Block-S, North Nazimabad, Karachi
	1,428	428	1,000	643	– do –	Abid Maqsood (Ex-Employee) H No. 47, Al-Abid Lane No.3, Gulistan Colony,
					Rawalpindi	
	1,426	332	1,094	-	– do –	Successors of Late Mohiuddin Ali Zahid (Ex-Employee) A-254,Block 2, Gulistan-e-Johar, Karachi
	1,389	509	880	540	– do –	Muhammad Shabbir (Ex-Employee) House No. 10, Lane No. 29, Model Town, Phase 2, G.T. Road, Wah Cantt
	907	423	484	1,022	Tender Bid	M Irfan Ibrahim Panama Center, Flat # A-202, Gulshan-e-Iqbal, 13- D Karachi
	888	474	414	887	– do –	Malik Abdul Khaliq A-19 Block " I ", North Nazimabad, Karachi
	846	592	254	829	– do –	– do –
	674	123	551	549	– do –	Muhammad Tariq Ajmeri House No 877, Azizabad F.B area Block-2, Karachi
	674	124	550	531	– do –	Syed Riaz Ahmed House # A-216,Gulshan-e-Iqbal Block-3, Karachi
	669	190	479	600	Insurance Claim	International General Insurance Ltd D-32, Block-2, Kehkashan, Clifton, Karachi
	620	227	393	613	Tender Bid	M Irfan Ibrahim Panama Center, Flat # A-202, Gulshan-e-Iqbal, 13-D, Karachi
	529	203	326	512	– do –	Syed Riaz Ahmed House # A-216, Gulshan-e-Iqbal, Block-3, Karachi
Balance c/f	11,514	4,113	7,401	7,342		

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of buyers
	------------	------------(Rupees in '000)	------------	------------		
Vehicles (Contd.)						
Balance b/f	11,514	4,113	7,401	7,342		
	529	229	300	550	Company Policy	Rana Imtiaz (Executive) H#330, Block-5, Gia Khan Street, Depalpur Bazar, Sahiwal
	529	247	282	553	Tender Bid	Adnan Hasan Khan House# 908/12 F.B Area Gulberg Ancholi Karachi
	529	247	282	584	– do –	Zahid Qadri House No 15 A-4, R-536 Bufferzone, Karachi
	529	247	282	582	– do –	– do –
	529	247	282	579	– do –	– do –
	529	247	282	574	– do –	– do –
	529	247	282	584	– do –	– do –
	529	247	282	467	– do –	Waseem Mirza House# A32, Gulshan-e-Iqbal, Block 10-A, Karachi
	521	295	226	524	– do –	Mehboob Ali House# 264, Sector 11-A, Orangi Town, Karachi
	513	265	248	568	– do –	Adnan Hasan Khan House # 908/12, F.B Area, Gulberg Ancholi, Karachi
	504	395	109	453	– do –	Waseem Mirza House# A32, Gulshan-e-Iqbal, Block 10-A, Karachi
	504	411	93	422	– do –	Adnan Hasan Khan House # 908/12 F.B Area Gulberg Ancholi Karachi
	504	269	235	568	– do –	Zahid Qadri House No 15-A-4, R-536 Bufferzone, Karachi
	393	209	184	350	Insurance Claim	International General Insurance Ltd D-32, Block-2, Kehkashan, Clifton, Karachi
	139	39	100	1,030	Tender Bid	Syed Muhammad Amir Zaidi 3-B 7/6, Nazimabad, Karachi
	139	78	61	923	– do –	Malik Abdul Khaliq A-19 Block " I ", North Nazimabad, Karachi
	125	63	62	100	Company Policy	Muhammad Sajeel Aslam Usmani (Ex-Employee) 78/B, Ali Block, Awan Town, Lahore
	85	10	75	387	– do –	Sohail Anwer (Ex-Employee) 27-B, Market Road, Lalarukh Coloney, Wah Cantt
Items having book value of less than Rs.50,000 each	6,044	5,747	297	5,268	Various	Various
	25,217	13,852	11,365	22,408		
	31,872	19,340	12,532	23,515		

	Note	December 31, 2010 Rs '000	December 31, 2009 Rs '000
3.2 Capital work-in-progress			
Building on leasehold land		22,000	192,348
Plant and machinery		59,309	403,851
Others		3,966	15,370
		85,275	611,569
Advances to Contractors and Suppliers		34,533	7,405
		119,808	618,974
4. INTANGIBLE ASSET - computer software			
Net carrying value basis			
Year ended December 31,			
Opening net book value		114	729
Addition during the year		453	-
Amortization charge		(228)	(615)
Closing net book value		339	114
Gross carrying value basis			
As at December 31,			
Cost		2,418	1,965
Accumulated amortization		(2,079)	(1,851)
Net book value		339	114
Amortisation rate per annum		33%	33%
Remaining useful life in years		2.75	0.67
5. LONG-TERM LOANS			
Considered good - unsecured			
Employees	5.1	9,058	7,901
Current maturity shown under current assets	10	(4,447)	(4,083)
		4,611	3,818
Considered good - unsecured			
A vendor	5.2	1,441	-
Current maturity shown under current assets	10	(393)	-
		1,048	-
		5,659	3,818

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% (2009: 9.00%) and 15% (2009: 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.

5.2 Loan to a vendor is interest free and is repayable over a period up to 3 years in variable installments.

	December 31, 2010 Rs '000	December 31, 2009 Rs '000
6. LONG-TERM DEPOSITS		
Long-term deposits	4,669	4,723
Provision against deposits considered doubtful	-	(114)
	4,669	4,609

6.1 During the current year, an amount of Rs.0.114 million (2009: Nil) was written off against provision in respect of deposits considered doubtful.

	Note	December 31, 2010 Rs '000	December 31, 2009 Rs '000
7. STORES AND SPARES			
Stores		15,544	14,805
Provision against obsolete stores		(20)	(20)
		15,524	14,785
Spares		24,824	24,697
Provision against obsolete spares		(1,170)	(1,170)
		23,654	23,527
		39,178	38,312
8. STOCK-IN-TRADE			
Raw and packing material and auxiliaries			
In hand	8.1	446,555	399,668
In transit		55,598	39,352
		502,153	439,020
Provision against slow moving raw and packing material		(2,313)	(3,313)
		499,840	435,707
Work-in-process		59,579	22,445
Finished goods			
In hand	8.2 & 8.3	578,149	697,282
In transit		21,214	19,837
		599,363	717,119
Provision against slow moving finished goods		(10,624)	(38,534)
		588,739	678,585
		1,148,158	1,136,737

8.1 This includes raw and packing material held with third parties, aggregating to Rs.3.154 (2009: Rs.4.304) million, at the end of the current year.

8.2 This includes cost of physician samples, aggregating to Rs.9.421 (2009: Rs.9.274) million, at the end of the current year.

8.3 This includes finished goods costing Rs.85.581 (2009: Rs.369.269) million, valued at their net realizable value of Rs.78.268 (2009: Rs.330.745) million.

	Note	December 31, 2010 Rs '000	December 31, 2009 Rs '000
9. TRADE DEBTS - unsecured			
Considered good			
Related parties	9.1	-	22
Others		156,547	345,786
		156,547	345,808
Considered doubtful			
Others		1,464	2,199
		158,011	348,007
Provision against debts considered doubtful	9.2	(1,464)	(2,199)
		156,547	345,808

9.1 The maximum amount due from related parties at the end of any month during the year was Rs.11.046 (2009: Rs.5.484) million.

9.2 During the current year, provision aggregating to Rs.0.735 (2009:Rs.14.324) million was written-off against debts considered doubtful.

	Note	December 31, 2010 Rs '000	December 31, 2009 Rs '000
10. SHORT-TERM LOANS AND ADVANCES			
Considered good - unsecured			
Loans			
Current maturity of long-term loans to employees	5	4,447	4,083
Current maturity of long-term loan to a vendor	5	393	-
		4,840	4,083
Advances			
Executives	10.1	163	1,184
Employees		5,790	5,580
Contractors and Suppliers		4,929	15,018
		10,882	21,782
		15,722	25,865

10.1 The maximum aggregate amount due from Executives at the end of any month during the year was Rs.2.234 (2009: Rs.2.178) million.

	Note	December 31, 2010 Rs '000	December 31, 2009 Rs '000
11. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS			
Trade deposits			
Tender deposits		34,414	16,123
Margin against letters of credit		6,347	2,962
		40,761	19,085
Provision against tender deposits considered doubtful	11.1	(591)	(641)
		40,170	18,444
Short-term prepayments		10,225	11,129
		50,395	29,573

11.1 During the current year, an amount of Rs.0.100 million (2009:Nil) was written back. In addition, provision amounting to Rs.0.050 million (2009:Nil) was made during the year in respect of deposits considered doubtful, whereas during the previous year, provision aggregating to Rs.1.643 million was written-off against tender deposits considered doubtful.

	Note	December 31, 2010 Rs '000	December 31, 2009 Rs '000
12. OTHER RECEIVABLES			
Due from related parties	12.1 & 12.2	57,051	53,476
Employees' Pension Fund	12.3	54,596	74,478
Employees' Gratuity Fund	12.3	4,267	6,235
Insurance claim	12.6	37	45
Amounts due from ex-employees		2,596	2,464
Provision against loans due from ex-employees	12.7	(2,596)	(2,464)
		-	-
Sales tax refundable		7,541	7,541
Provision against sales tax refundable considered doubtful		(1,623)	(1,623)
		5,918	5,918
Miscellaneous		679	247
		122,548	140,399

12.1 This represents reimbursements due from the following related parties:

	Note	December 31, 2010 Rs '000	December 31, 2009 Rs '000
Sanofi Pasteur SA	26.1	51,808	47,424
Bayer CropScience (Private) Limited		4,988	1,212
Sanofi Aventis Singapore		255	-
Sanofi Aventis Group		-	4,840
		57,051	53,476

12.2 The maximum amount due from related parties at the end of any month during the year was Rs.57.051 (2009: Rs.128.961) million.

12.3 The status of the funds and principal assumptions used in the actuarial valuation as of December 31, 2010 were as follows:

	Pension Fund 2010 Rs '000	Pension Fund 2009 Rs '000	Gratuity Fund 2010 Rs '000	Gratuity Fund 2009 Rs '000
Balance sheet reconciliation as at December 31,				
Fair value of plan assets	290,699	251,794	190,978	171,991
Present value of defined benefit obligation	(234,829)	(177,316)	(191,643)	(165,756)
Unrecognized past service cost	(1,274)	-	4,932	-
Net assets in balance sheet	54,596	74,478	4,267	6,235

	Pension Fund 2010 Rs '000	Pension Fund 2009 Rs '000	Gratuity Fund 2010 Rs '000	Gratuity Fund 2009 Rs '000
Movement in asset / (liability)				
Prepayment as at January 1,	74,478	77,547	6,235	(4,869)
Credit / (Charge) for the year	2,121	(1,302)	(14,456)	(13,241)
(Paid to the company) / Contribution during the year	(5,956)	-	5,956	-
Actuarial (loss) / gain recognized in Equity	(16,047)	(1,767)	6,532	24,345
Prepayment as at December 31,	54,596	74,478	4,267	6,235
(Credit) / Expense recognized				
Service cost	7,046	8,020	12,484	12,334
Interest cost	27,320	23,130	22,950	22,266
Expected return on plan assets	(35,991)	(33,211)	(22,359)	(21,633)
Annual amortization of unrecognized past service cost	(496)	-	1,381	-
Curtailment loss recognized	-	3,363	-	274
	(2,121)	1,302	14,456	13,241
Actual return on plan assets	30,041	31,523	29,518	31,001
Movement in the defined benefit Obligation				
Obligation as at January 1,	177,316	177,919	165,756	171,279
Service cost	7,046	8,020	12,484	12,334
Interest cost	27,320	23,130	22,950	22,266
Past service cost	(1,770)	-	6,313	-
Benefits paid	(10,239)	(35,195)	(16,487)	(25,420)
Actuarial loss / (gain)	10,097	79	627	(14,977)
Plan settlements	25,059	-	-	-
Plan curtailments	-	3,363	-	274
Obligation as at December 31,	234,829	177,316	191,643	165,756
Movement in fair value of plan assets				
Fair value as at January 1,	251,794	255,466	171,991	166,410
Expected return on plan assets	35,991	33,211	22,359	21,633
Paid to the company / Employer contributions	(5,956)	-	5,956	-
Benefits paid	(10,239)	(35,195)	(16,487)	(25,420)
Plan settlements	25,059	-	-	-
Actuarial (loss) / gain	(5,950)	(1,688)	7,159	9,368
Fair value as at December 31,	290,699	251,794	190,978	171,991

	Pension Fund 2010	Pension Fund 2009	Gratuity Fund 2010	Gratuity Fund 2009
Key actuarial assumptions used are as follows:				
Discount factor used	14%	13.5%	14%	13.5%
Expected rate of returns per annum on plan assets	14%	13%	14%	13%
Expected rate of increase in future salaries per annum	13.5%	13%	13.5%	13%
Indexation of pension	8%	7.5%	-	-
Retirement age (years)	60 yrs	58 yrs	60 yrs	58 yrs

	2010		2009	
	Rs '000	%	Rs '000	%
Plan assets comprise of:				
Funded pension plan				
Debt	218,530	75.17	190,703	75.74
Equity	61,333	21.10	42,871	17.02
Others (includes cash and bank balances)	10,836	3.73	18,220	7.24
	290,699	100.00	251,794	100.00
Funded gratuity plan				
Debt	159,359	83.44	147,314	85.65
Equity	18,387	9.63	19,294	11.22
Others (includes cash and bank balances)	13,232	6.93	5,383	3.13
	190,978	100.00	171,991	100.00

Comparison for five years:

	2010 Rs '000	2009 Rs '000	2008 Rs '000	2007 Rs '000	2006 Rs '000
Funded pension plan					
Fair value of plan assets	290,699	251,794	255,466	236,901	214,616
Present value of defined benefit obligation	(234,829)	(177,316)	(177,919)	(161,452)	(151,813)
Surplus	55,870	74,478	77,547	75,449	62,803
Experience adjustment					
Actuarial (loss) / gain on obligation	(11,531)	(79)	146	2,999	6,474
Actuarial (loss) / gain on plan assets	(5,950)	(1,688)	985	8,467	10,513
Funded gratuity plan					
Fair value of plan assets	190,978	171,991	166,410	151,006	137,641
Present value of defined benefit obligation	(191,643)	(165,756)	(171,279)	(144,111)	(126,742)
(Deficit) / Surplus	(665)	6,235	(4,869)	6,895	10,899
Experience adjustment					
Actuarial gain / (loss) on obligation	220	14,977	(7,204)	(721)	9,039
Actuarial gain / (loss) on plan assets	7,159	9,368	5,107	3,528	6,288

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 2011 will be Rs.12.845 million and negative Rs.1.099 million, respectively.

12.6 This represents a claim due from an insurance company, which is a related party.

12.7 During the current year, provision aggregating to Rs.0.042 (2009: Rs.0.058) million was written-off against loans due from ex-employees considered doubtful whereas provision for an amount of Rs.0.161 million was written back. Further, additional provision amounting to Rs.0.335 million was made during the year against loan due from ex-employees.

	Note	December 31, 2010 Rs '000	December 31, 2009 Rs '000
13. CASH AT BANKS			
In current accounts	13.1	2,110	2,286

13.1 Included herein is a sum of Rs.0.475 (2009: Rs.0.575) million, representing refundable deposits received from distributors, transporters and suppliers.

	Note	December 31, 2010 Rs '000	December 31, 2009 Rs '000
14. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE			
Freehold land	14.1	149	-
Building on freehold land - at written down value	14.1	3,500	-
Plant & machinery - at written down value	14.1	1,178	-
		4,827	-

14.1 In order to improve the manufacturing facility, benchmarking with GMP standards and as part of the rationalization program, the company initiated a project for shifting its entire production facility to one site - at Karachi and thereafter divest the other manufacturing site located at G.T. Road, Wah Cantt. The project in respect of new liquid manufacturing facility at Karachi has been completed during the year and in line with initial project plan, the company is committed to sell the Wah manufacturing site together with structures thereon and certain items of its plant and machinery and an active programme to locate the buyer and complete the plan had been initiated. The expected completion date of the transaction is within a period of one year from December 31, 2010. These assets are measured at the lower of carrying amount and fair value less cost to sell.

15. SHARE CAPITAL

No. of Shares December 31, 2010	No. of Shares December 31, 2009		December 31, 2010 Rs '000	December 31, 2000 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 than 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 (2009: 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, 2010 Rs '000	December 31, 2009 Rs '000
16. 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	16.1	50,241	31,613
		74,176	55,548
Revenue reserves			
General reserve		1,060,538	935,538
Unappropriated profit		230,241	204,915
		1,290,779	1,140,453
		1,364,955	1,196,001

lifeline

16.1 Share-based compensation plans

As at December 31, 2010, 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 the company.

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, 2010 (number)
Sanofi-aventis S.A., France	31/05/2005	4	13,500	01/06/2009	31/05/2015	70.38	10,500
Sanofi-aventis S.A., France	14/12/2006	4	13,300	15/12/2010	14/12/2016	66.91	11,800
Sanofi-aventis S.A., France	13/12/2007	4	13,900	14/12/2011	13/12/2017	62.33	12,400
Sanofi-aventis S.A., France	02/03/2009	4	7,595	04/03/2013	01/03/2019	45.09	7,595
Sanofi-aventis S.A., France	01/03/2010	4	8,035	03/03/2014	28/02/2020	54.12	8,035
Total			56,330				50,330

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

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, 2009	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
Options granted	8,035	54.12
Options exercised	-	-
Options upheld / (cancelled)	2,800	66.84
Options forfeited	-	-
Options outstanding at December 31, 2010	50,330	61.17
Of which exercisable	22,300	68.54

Measurement of stock option plans

The fair value of the plan awarded in 2010 to the employees of the company amounted to is Rs.8.451 (2009 : Rs.3.849) million at the grant date.

The following assumptions were used in determining the fair value of the plan awarded in 2010 and 2009:

- Dividend yield: 4.66% (2009: 5.72%)
- Residual life: 6 years (2009: 6 years)
- Volatility of sanofi-aventis S.A., France, shares, computed on a historical basis: 27.08% (2009: 27.06%)
- Risk-free interest rate: 2.56% (2009: 2.84%)

The fair value of the options granted in 2010 at grant date is ¤9.09 (2009: ¤4.95) per option.

The expense recognised for stock option plans, and the corresponding entry taken to equity, amounted to Rs.11.758 (2009: Rs.5.968) million during the current year.

As of December 31, 2010, the total cost related to non-vested share-based compensation arrangements amounted to Rs.11.877 (2009: Rs.11.941) million to be recognised over a weighted average period of 2 years (2009: 2 years).

Restricted share plan:

The Board of Directors of sanofi-aventis Group, in a meeting held on March 1, 2010, decided to award a restricted share plan comprising 2,013 shares to some of the employees of the company, which will vest after a four-year service period.

In addition to above, the Board of Directors of sanofi-aventis Group, in their meeting held on October 27, 2010 decided to implement a global restricted shares plan for the benefit of all employees of the Group, pursuant to which 20 sanofi-aventis restricted shares were awarded to each of the employee. The restricted shares awarded to the employees of the company comprised of 14,860 shares, which will also vest after a four-year service period.

In compliance with IFRS-2, the company 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 plans were 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, adjusted for dividends expected during the vesting period. The fair value of each share awarded as on March 1, 2010 and October 27, 2010 amounted to ¤ 42.26 and ¤ 39.32, respectively.

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

An expense of Rs.6.870 (2009: Rs.1.325) million was recognized for this plan during the year ended December 31, 2010.

The number of restricted shares outstanding as of December 31, 2010 was 18,874.

	December 31, 2010 Rs '000	December 31, 2009 Rs '000

17. LONG-TERM FINANCING

Term Finance Loan	500,000	-
Current maturity shown under current liabilities	(125,000)	-
	375,000	-

This represents a long-term loan, obtained from a commercial bank, which is repayable in four equal semi-annual installments commencing from October 2, 2011 and is secured by way of an equitable mortgage of Rs.1,167 million over all present and future assets of the company. The Loan carries mark-up at the rate of 1.15% over 6 months Karachi Interbank Offer Rate (KIBOR) payable on semi-annual basis, without any floor or cap.

18. LIABILITY AGAINST ASSET SUBJECT TO FINANCE LEASE

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.

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, 2010 Rs '000	December 31, 2009 Rs '000
Present value of minimum lease payments	7,329	9,292
Current maturity shown under current liabilities	(2,321)	(2,059)
	5,008	7,233

	Note	December 31, 2010 Rs '000	December 31, 2009 Rs '000
Minimum lease payments			
Not later than one year		3,052	3,036
Later than one year and not later than five years		5,570	8,589
		8,622	11,625
Future finance charges on finance leases		(1,293)	(2,333)
Present value of finance lease liabilities		7,329	9,292
Present value of finance lease liabilities			
Not later than one year		2,321	2,059
Later than one year and not later than five years		5,008	7,233
		7,329	9,292

19. DEFERRED TAXATION

	Note	December 31, 2010 Rs '000	December 31, 2009 Rs '000
Credit balances arising from:			
Accelerated tax depreciation allowance		170,511	60,144
Recognition of actuarial gain on retirement benefit plans		15,295	16,950
Unrealized exchange gain		937	-
Debit balances resulting from:			
Short-term provisions against:			
- trade debts		(381)	(462)
- stock in trade		(2,760)	(8,092)
- stores and spares		(910)	(946)
- unrealized exchange loss		-	(2,496)
- Others		(1,250)	(1,016)
Minimum turnover tax		(43,243)	-
		138,199	64,082

20. TRADE AND OTHER PAYABLES

	Note	December 31, 2010 Rs '000	December 31, 2009 Rs '000
Trade creditors			
Related parties		307,022	129,998
Other trade creditors		136,455	165,637
		443,477	295,635
Other payables			
Accrued liabilities		406,547	312,261
Amount payable under voluntary separation scheme	24.1.1	38,000	-
Advances from customers		10,502	4,587
Workers' Profit Participation Fund	20.1	21,785	13,740
Workers' Welfare Fund		13,357	5,164
Central Research Fund		4,057	2,556
Compensated absences		31,655	27,115
Security deposits		475	575
Contractors' retention money		3,041	9,445
Unclaimed dividend		1,923	1,694
Income tax deducted at source		-	11,910
Others		684	3,647
		532,026	392,694
		975,503	688,329

	Note	December 31, 2010 Rs '000	December 31, 2009 Rs '000

20.1 Workers' Profit Participation Fund

	Note	December 31, 2010 Rs '000	December 31, 2009 Rs '000
Balance at the beginning of the year		13,740	4,615
Allocation for the year		21,785	13,740
Prior year adjustment		128	(32)
		35,653	18,323
Interest on funds utilised in company's business		120	2,867
Amount paid to the Trustees of the Fund		(10,420)	(7,448)
Deposited with the Government		(3,568)	(2)
		(13,988)	(7,450)
		21,785	13,740

21. SHORT-TERM BORROWINGS

	Note	December 31, 2010 Rs '000	December 31, 2009 Rs '000
Short-term loans - secured		-	530,000
Running finances utilised under mark-up arrangements - secured	21.1	238,744	835,759
		238,744	1,365,759

21.1 The facilities for running finances available from various banks under mark-up arrangements aggregated to Rs.1,791 (2009: Rs.1,550) million. These facilities expire on various dates, latest by November 20, 2011. The rates of mark-up range between Rs.0.3641 and Rs.0.4247 (2009: Rs.0.3532 and Rs.0.4247) 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.897 (2009: Rs.973) million for opening the letters of credit, guarantees and bill discounting, the unutilised amount was Rs.479 (2009: Rs.690) million as at the end of the year.

22. CONTINGENCIES AND COMMITMENTS

22.1 Contingencies

(a) Bank guarantees, aggregating to Rs.4.378 (2009: Rs.94.328) 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.6.200 million (2009: Rs.21.391) 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.75.1 million has not been made in these financial statements, pending a final decision in these matters.

22.2 Commitments

(a) Commitments in respect of capital expenditure contracted for amounted to Rs.141.491 (2009: Rs. 74.351) million, at the end of the year.

(b) Commitments for rentals under operating lease agreements in respect of vehicles amounted to Rs.0.367 (2009: Rs.1.101) million at the end of the year, payable as follows:

	Years	December 31, 2010 Rs '000	December 31, 2009 Rs '000
	2010	-	734
	2011	367	367
		367	1,101
(c) Outstanding letters of credit		238,676	35,198
(d) Outstanding bank contracts		567,133	301,667

23. NET SALES

	December 31, 2010 Rs '000	December 31, 2009 Rs '000
Gross sales		
Local	6,569,050	7,059,913
Export	61,075	29,319
	6,630,125	7,089,232
Toll manufacturing	40,454	52,014
	6,670,579	7,141,246
Returns	(28,899)	(29,983)
Discounts	(483,385)	(385,555)
	(512,284)	(415,538)
	6,158,295	6,725,708

24. OPERATING COST

	Cost of Sales 2010 Rs '000	Cost of Sales 2009 Rs '000	Distribution and marketing expenses 2010 Rs '000	Distribution and marketing expenses 2009 Rs '000	Administrative expenses 2010 Rs '000	Administrative expenses 2009 Rs '000	Total 2010 Rs '000	Total 2009 Rs '000
Raw, auxiliary and packing material consumed	2,712,774	2,327,063	-	-	-	-	2,712,774	2,327,063
Stores and spares consumed	16,106	20,586	-	-	-	-	16,106	20,586
Stationery and supplies consumed	3,049	5,060	4,393	5,867	681	480	8,123	11,407
Staff costs (note 24.1)	337,142	356,054	317,929	279,694	92,685	77,716	747,756	713,464
Fuel and power	153,377	129,633	1,867	1,636	14,323	10,079	169,567	141,348
Rent, rates and taxes	16,822	9,203	6,693	6,779	2,542	1,348	26,057	17,330
Lease rentals	-	358	913	2,639	-	106	913	3,103
Insurance	2,758	3,210	7,528	4,970	967	1,004	11,253	9,184
Repairs and maintenance	39,177	58,842	4,368	6,285	11,656	12,630	55,201	77,757
Raw, auxiliary and packing materials written off	8,995	5,369	-	-	-	-	8,995	5,369
(Reversal of provision) / provision against slow moving raw and packing material	(1,000)	3,313	-	-	-	-	(1,000)	3,313
Depreciation / amortization	134,238	93,171	24,452	21,204	16,068	15,468	174,758	129,843
Traveling and conveyance	38,666	38,918	209,235	200,803	15,922	12,651	263,823	252,372
Handling, freight and transportation	-		60,484	39,723	-	-	60,484	39,723
Communication	2,542	2,456	9,271	9,332	10,813	10,888	22,626	22,676
Security and maintenance	4,188	4,024	1,054	1,038	3,440	3,324	8,682	8,386
Publication and subscription	96	323	671	4,430	1,674	2,515	2,441	7,268
Advertising, samples and sales promotion	-	-	368,897	281,565	-	-	368,897	281,565
Commission expenses	-	-	57,607	156,919	-	-	57,607	156,919
Software license / maintenance fee	-	-	3,770	3,708	2,515	2,473	6,285	6,181
Provision against loans to ex-employees	-	-	174	53	-	-	174	53
Reversal of provision against doubtful trade deposits	-	-	(50)	-	-	-	(50)	-
Provision against doubtful trade debts	-	-	-	1,515	-	-	-	1,515
Bad debts written off	-	-	57	143	-	-	57	143
Loans to employees written off	-	-	-	572	-	-	-	572
Other expenses	4,922	4,469	14,750	19,408	2,294	2,025	21,966	25,902
	3,473,852	3,062,052	1,094,063	1,048,283	175,580	152,707	4,743,495	4,263,042
Recovery of service charges from outside parties	(12,193)	(6,532)	-	-	-	-	(12,193)	(6,532)
	3,461,659	3,055,520	1,094,063	1,048,283	175,580	152,707	4,731,302	4,256,510
Opening work in process	22,445	30,614						
Closing work in process	(59,579)	(22,445)						
Cost of goods manufactured	3,424,525	3,063,689						
Opening stock of finished goods	717,119	533,556						
Finished goods purchased	918,183	2,228,891						
Finished goods written off	34,772	46,394						
Cost of samples issued under distribution and marketing expenses	(62,575)	(64,086)						
Provision / (reversal of provision) against slow moving finished goods	(27,910)	7,784						
Closing stock of finished goods	(599,363)	(717,119)						
	4,404,751	5,099,109						

24.1 Staff costs

	Cost of Sales 2010 Rs '000	Cost of Sales 2009 Rs '000	Distribution and marketing expenses 2010 Rs '000	Distribution and marketing expenses 2009 Rs '000	Administrative expenses 2010 Rs '000	Administrative expenses 2009 Rs '000	Total 2010 Rs '000	Total 2009 Rs '000
Salaries, wages and other benefits - note 24.1.1	323,099	344,415	279,708	257,960	79,497	64,828	682,304	667,203
Training expenses	295	234	13,004	3,484	504	318	13,803	4,036
Defined benefit plan	4,212	3,164	6,434	7,927	1,689	3,452	12,335	14,543
Defined contribution plan	6,550	6,598	10,557	9,815	3,579	3,976	20,686	20,389
Share based payments	2,986	1,643	8,226	508	7,416	5,142	18,628	7,293
	337,142	356,054	317,929	279,694	92,685	77,716	747,756	713,464

24.1.1 Since last year, the company has initiated a plan to achieve rationalization and restructuring. As a result of above project and fulfillment of social responsibility, a provision has been made on account of voluntary separation scheme for planned staff redundancy in respect of some of the factory employees. The full amount of provision is expected to be utilized during the year 2011 and is allocated as follows:

	Note	December 31, 2010 Rs '000	December 31, 2009 Rs '000
Cost of sales		38,000	55,784
Administrative expenses		-	1,841
		38,000	57,625

25. OTHER OPERATING EXPENSES

	Note	December 31, 2010 Rs '000	December 31, 2009 Rs '000
Auditors' remuneration	25.1	1,447	1,534
Workers' Profits Participation Fund	20.1	21,913	13,708
Workers' Welfare Fund		8,193	5,164
Contribution for Central Research Fund		4,057	2,556
Legal and consultancy charges		8,256	7,195
Donations	25.2	2,899	1,845
Exchange losses - net		6,915	107,331
Fixed assets written off		170	-
Miscellaneous		589	3,331
		54,439	142,664

25.1 Auditors' remuneration

Audit fee		700	616
Review of half yearly financial statements		210	210
Special certification and reportings		450	545
Out-of-pocket expenses		87	163
		1,447	1,534

	Note	December 31, 2010 Rs '000	December 31, 2009 Rs '000
25.2 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, are the members of the Board of Trustees of Lahore University of Management Sciences)		1,640	1,640
• World Wide Fund for Nature Fortune Centre, P.E.C.H.S. Karachi (Syed Babar Ali, Chairman is the member of the Fund)		10	25
• Pharma Bureau of Information & Statistics (sub-committee of Overseas Investors Chamber of Commerce Industry) Chamber of Commerce Building, Talpur Road, Karachi (Mr. Tariq Wajid, Chief Executive is the Chairman of the sub-committee) - This represents donations made as part of the flood relief efforts.		819	-

26. OTHER OPERATING INCOME

	Note	December 31, 2010 Rs '000	December 31, 2009 Rs '000
Income from financial assets			
Interest on loans to employees		325	441
Interest income on term deposits		-	2,671
		325	3,112
Income from related parties			
License fee	3.1.1	7,892	6,943
Contribution to support the vaccine business	26.1	71,290	-
Income from non-financial assets			
Gain on sale of operating fixed assets		10,983	9,997
Gain on disposal of non-current assets held for sale		-	49,629
Others			
Liabilities no longer payable written back		3,266	20,425
Scrap sales		7,897	4,985
Export rebate claims		-	755
Miscellaneous		567	5,280
		11,730	31,445
		102,220	101,126

26.1 This represents voluntary contribution received from Sanofi Pasteur SA, a related party, to support the vaccines business.

	Note	December 31, 2010 Rs '000	December 31, 2009 Rs '000
27. FINANCE COSTS			
Mark-up on:			
long-term loan		51,856	-
short-term running finances		56,391	90,874
short-term loans		17,463	31,679
		125,710	122,553
Interest on Workers' Profit Participation Fund	20.1	120	2,867
Interest on finance lease		1,061	842
Bank charges		3,150	4,750
		4,331	8,459
		130,041	131,012
28. TAXATION			
Current		86,526	95,708
Prior		13,644	3,947
Deferred		77,447	(13,967)
		177,617	85,688
28.1 Explanation of relationship between accounting profit and tax expense:			
Accounting profit before taxation		401,641	253,059
Income tax at the applicable tax rate 35% (2009: 35%)		140,574	88,571
Effect of tax under FTR, minimum tax and other Adjustments - net		16,879	(9,383)
Effect of share based payments		6,520	2,553
Effect of prior years' tax charge		13,644	3,947
		177,617	85,688

29. BASIC EARNINGS PER SHARE

There is no dilutive effect on the basic earnings per share of the company, which is based on:

	2010	2009
Net profit for the year	224,024	167,371
	Number of shares	
Weighted average number of Ordinary shares	9,644,760	9,644,760
	---------- Rupees----------	
Earnings per share - Basic and Diluted	23.23	17.35

	Note	December 31, 2010 Rs '000	December 31, 2009 Rs '0000

30. CASH GENERATED FROM OPERATIONS

	Note	2010	2009
Profit before taxation		401,641	253,059
Adjustment for non-cash charges and other items:			
Depreciation / amortization		174,758	129,843
Gain on sale of operating fixed assets		(10,983)	(9,997)
Fixed assets written off		170	-
Gain on disposal of non-current assets classified as held for sale		-	(49,629)
Expenses arising from equity settled share based payment plans		18,628	7,293
Retirement benefits		12,335	14,543
Interest income		(325)	(3,112)
Finance costs		130,041	131,012
Working capital changes	30.1	449,241	(415,489)
		1,175,506	57,523

30.1 Working capital changes

	2010	2009
(Increase) / decrease in current assets:		
Stores and spares	(866)	2,600
Stock-in-trade	(11,421)	(31,793)
Trade debts	189,261	(193,857)
Loans and advances	10,143	(1,677)
Trade deposits and short-term prepayments	(20,822)	11,012
Other receivables - net	(3,999)	(1,981)
	162,296	(215,696)
Increase / (decrease) in current liabilities:		
Trade and other payables - net (excluding accruals for unclaimed dividend)	286,945	(199,793)
	449,241	(415,489)

31. CASH FLOWS FROM OPERATING ACTIVITIES (DIRECT METHOD)

	2010	2009
Cash receipts from customers	6,348,290	6,492,722
Cash paid to suppliers / service providers and employees	(5,172,784)	(6,435,199)
Financial charges paid	(121,974)	(143,916)
Taxes paid	(171,299)	(148,078)
Long-term loans (net)	(1,841)	2,543
Long-term deposits (net)	(60)	(1,284)
Net cash generated from / (used in) operating activities	880,332	(233,212)

32. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following items:

	Note	2010	2009
Cash at bank - current accounts	13	2,110	2,286
Short-term running finances	21	(238,744)	(835,759)
		(236,634)	(833,473)

33. 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:

		December 31, 2010				December 31, 2009			
		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	57,277	75	-	57,352	29,319	256	-	29,575
ii)	Purchase of goods	2,015,903	2,429	-	2,018,332	3,086,613	3,559	-	3,090,172
iii)	Purchase of services	-	5,623	-	5,623	-	4,783	-	4,783
iv)	Contribution received	71,290	-	-	71,290	-	-	-	-
v)	Purchase of fixed assets	-	-	-	-	1,887	-	-	1,887
vi)	Recovery of service charges and other expenses	-	12,903	-	12,903	-	6,997	-	6,997
vii)	License fee of land received	-	7,892	-	7,892	-	6,943	-	6,943
viii)	Contributions paid to Provident Fund	-	-	20,623	20,623	-	-	20,389	20,389

33.1 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.3.435 (2009: Rs.2.632) million and Rs.15.193 (2009: Rs.4.661) million respectively.

33.2 The related party status of outstanding balances as at December 31, 2010 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.

34. 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, a Director and Executives of the company are as follows:

	Chief Executive 2010 Rs '000	Chief Executive 2009 Rs '000	Director 2010 Rs '000	Director 2009 Rs '000	Executives 2010 Rs '000	Executives 2009 Rs '000	Total 2010 Rs '000	Total 2009 Rs '000
Managerial remuneration	10,357	9,247	4,385	4,060	73,482	64,854	88,224	78,161
Profit sharing bonus	5,634	4,084	1,458	1,189	14,872	13,044	21,964	18,317
Retirement benefits	1,898	1,695	804	744	12,820	11,312	15,522	13,751
Perquisites and benefits:								
Rent and utilities	5,696	5,086	2,412	2,233	38,466	33,941	46,574	41,260
Medical expenses	48	47	203	271	3,209	2,978	3,460	3,296
Club subscription	133	65	72	84	1,414	4,242	1,619	4,391
	23,766	20,224	9,334	8,581	144,263	130,371	177,363	159,176
Number of person	1	1	1	1	64	54	66	56

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.3.435 (2009: Rs.2.632) million, Rs.1.377 (2009: Rs.1.244) million and Rs.13.816 (2009: Rs.3.416) million, respectively.

Aggregate amount charged in the financial statements in respect of fee to Directors other than working Directors was Rs.4,500 (2009: Rs.5,500).

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

35. 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:

35.1 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.

35.1.1 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.

Exposure to foreign currency risk

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

	December 31, 2010 Euro '000	December 31, 2009 Euro '000	December 31, 2010 USD '000	December 31, 2009 USD '000
Trade receivables	3	-	-	-
Other receivables	3	40	596	563
Trade and other payables	(8)	(44)	(3,574)	(1,456)
	(2)	(4)	(2,978)	(893)

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, 2010 represented in foreign currencies, with all other variables held constant, of the company's profit before tax.

		December 31, 2010	December 31, 2009
Change in exchange rate	±	1%	1%
Effect on profit before tax (Rs.000's)	±	2,547	770
Effect on equity (Rs.000's)	±	1,656	500

35.1.2 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, term finance loan and short-term borrowings with floating interest rates. At December 31, 2010, 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.

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, 2010 Effective rates (%)	December 31, 2009 Effective rates (%)	December 31, 2010 Rs '000	December 31, 2009 Rs '000
Financial assets				
Loans to employees	9.00 & 15.00	9.00 & 16.50	1,992	2,974
Financial liabilities				
Liability against asset subject to finance lease	six months KIBOR + 2.25	six months KIBOR + 2.25	7,329	9,292
Long-term loan	six months KIBOR + 1.15	-	500,000	-
Short-term loans	-	0.75% to 0.80% p.a. above 1 month KIBOR	-	530,000
Running finances utilized under mark-up arrangements	Rs.0.3641 to Rs.0.4247 per Rs.1,000 per day	Rs.0.3532 to Rs.0.4247 per Rs.1,000 per day	238,744	835,759
			746,073	1,375,051

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, 2010	December 31, 2009
Change in interest rate	±	1%	1%
Effect on profit before tax (Rs.000's)	±	7,763	8,769
Effect on equity (Rs.000's)	±	5,046	5,699

35.1.3 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.

35.2 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.

Exposure to credit risk

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

	December 31, 2010 Rs '000	December 31, 2009 Rs '000
Trade debts	156,547	345,808
Loans to employees	9,058	7,901
Loan to a vendor	1,441	-
Deposits and margin against letter of credit	44,839	23,053
Other receivables	57,767	53,768
Bank balances	2,110	2,286
	271,762	432,816

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, 2010 Rs '000	December 31, 2009 Rs '000
35.2.1 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	86,893	71,177
Customers with some defaults in past one year	-	4,417
	86,893	75,594
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	15,801	230,535
31 - 60 days	15,844	11,028
61 - 90 days	18,817	11,425
91 - 120 days	4,528	6,730
121 - 150 days	5,755	2,160
151 - 180 days	675	1,665
181 - 270 days	6,857	5,515
Over 365 days	1,377	1,156
	69,654	270,214
	156,547	345,808

	December 31, 2010 Rs '000	December 31, 2009 Rs '000
The maximum exposure to credit risk for trade debts as at the reporting date by type of counterparties was:		
Government institutions and hospitals	103,952	301,547
Private institutions and hospitals	54,059	46,460
	158,011	348,007
Provision for doubtful debts	(1,464)	(2,199)
	156,547	345,808

35.2.2 Cash and bank

The carrying values of bank balances are analyzed as follows:

held with banks having a rating of A1+	2,110	2,059
held with banks having a rating of A1	-	227
	2,110	2,286

35.3 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 Rs '000	less than 12 months Rs '000	1 to 2 years Rs '000	2 to 5 years Rs '000
Financial liabilities				
December 31, 2010				
Liability against asset subject to finance lease	7,329	2,321	2,574	2,434
Long-term financing	500,000	125,000	250,000	125,000
Trade and other payables	894,147	894,147	-	-
Accrued mark-up	27,249	27,249	-	-
Short-term borrowings	238,744	238,744	-	-
	1,667,469	1,287,461	252,574	127,434
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

35.4 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 an arm's length transaction. Consequently, differences may arise between the carrying value and the fair value estimates.

At December 31, 2010 the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values except for loans to employees which are valued at their original cost less repayment.

35.5 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, 2010 and 2009 were as follows:

	Note	December 31, 2010 Rs '000	December 31, 2009 Rs '000
Long-term financing	17	500,000	-
Liability against asset subject to finance lease	18	7,329	9,292
Short-term borrowings	21	238,744	1,365,759
Total borrowings		746,073	1,375,051
Less: Bank balances	13	(2,110)	(2,286)
Net debt		743,963	1,372,765
Total equity	15 & 16	1,461,403	1,292,449
		2,205,366	2,665,214
Gearing ratio		34%	52%

36. 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.

37. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on February 11, 2011 by the Board of Directors of the company.

38. MOVEMENT BETWEEN RESERVES AND PROPOSED DIVIDEND

The Board of Directors in its meeting held on February 11, 2011 (i) approved the transfer of Rs.125 million from unappropriated profit to general reserve; and (ii) proposed a final dividend of Rs.10.00 per share for the year ended December 31, 2010, amounting to Rs. 96.448 million for approval of members at the Annual General Meeting to be held on March 29, 2011. These financial statements do not include the effect of the aforementioned proposed dividend.

39. 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, 2011

Pattern of shareholding
as at December 31, 2010

Shareholding From	Shareholding To	Number of shareholders	Number of shares held
1	100	342	15,661
101	500	373	115,577
501	1000	91	71,974
1001	5000	69	135,489
5001	10000	11	74,831
10001	15000	1	10,080
15001	20000	4	70,014
20001	25000	4	90,984
45001	50000	1	49,100
50001	55000	1	51,442
55001	60000	1	55,896
135001	140000	2	275,975
200001	205000	1	204,099
225001	230000	1	229,461
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
		907	9,644,760

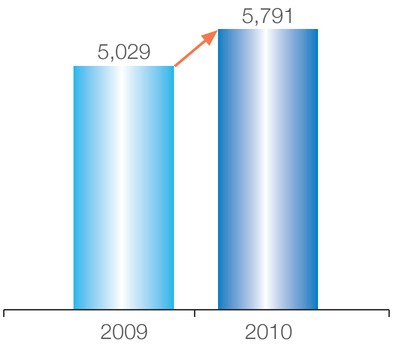
Shareholders category	Number of shareholders	Number of shares held	%
Associated Companies, Undertakings and Related Parties	3	6,312,805	65.45
NIT and ICP	1	229,461	2.38
Directors, CEO and their Spouses	12	1,120,002	11.61
Public Sector Companies and Corporations	2	1,284,099	13.31
Banks, Development Finance Institutions, Non-Banking Finance Institutions	4	208,637	2.16
Insurance Companies	1	19,200	0.20
Others	20	44,936	0.47
Individuals	864	425,620	4.42
	907	9,644,760	100.00

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.	1	229,461
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
Public Sector Companies and Corporations	2	1,284,099
Banks, Development Finance Institutions, Non-Banking		
Finance Institutions	4	208,637
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

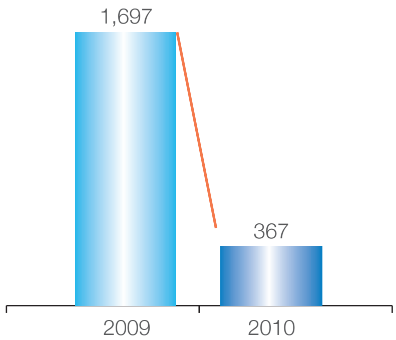
Analytical review

Net sales - pharmaceuticals
(Rs. million)



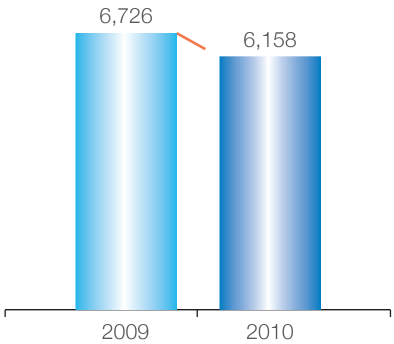
- + 15.2% growth on a reported basis
- + 14.3% volume growth
- + 0.9% price increase
- IMS growth of +16% vs industry growth of 13%

Net sales - vaccines
(Rs. million)



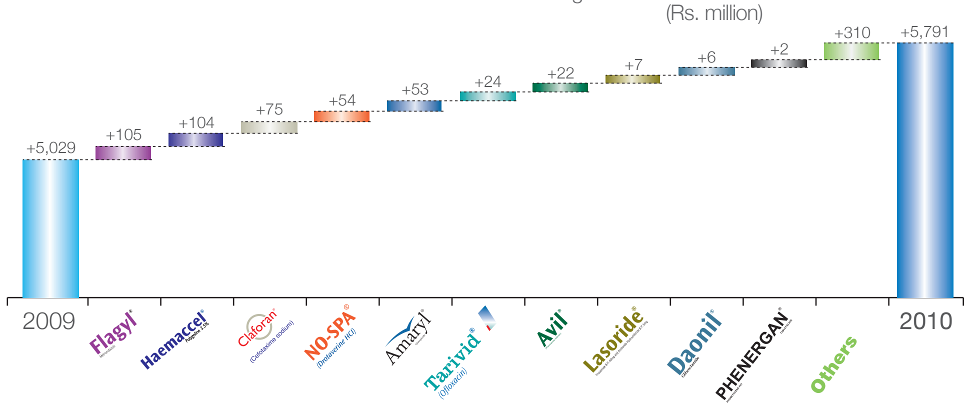
- -78.4% decline on reported basis because of EPI tender sales (polio vaccines)

Net sales - company
(Rs. million)



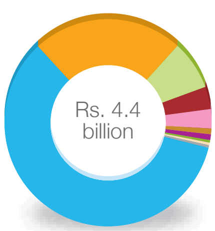
- -8.4% decline on a reported basis

Pharmaceuticals sales bridge from 2009 to 2010
(Rs. million)

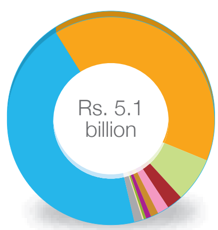


COGS 2010 in-line with expectations

Year 2010

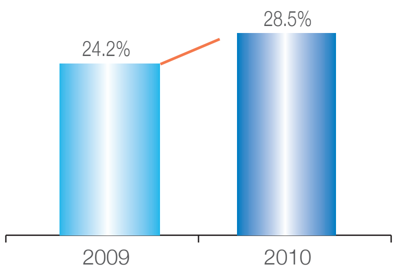


Year 2009



	Year 2010	Year 2009
Raw, Packing & Auxiliary	59.3%	44.5%
Finished goods consumed	23.5%	40.1%
Staff cost	7.7%	7.0%
Fuel and power	3.5%	2.5%
Depreciation	3.0%	1.8%
Repairs and maintenance	0.9%	1.2%
Traveling and conveyance	0.9%	0.8%
Rent rates and taxes	0.4%	0.2%
Stores and spares	0.4%	0.4%
Others	0.4%	1.5%

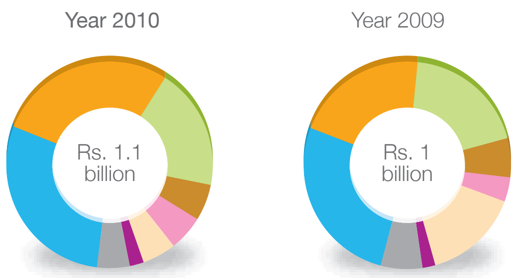
Gross margin

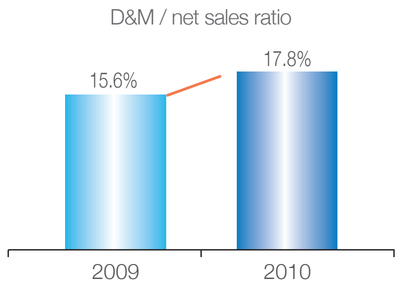


- Improved GP margin in 2010 due to
- positive impact of:
  - volume growth
  - improved manufacturing cost
  - lower staff cost – Wah site closure
- negative impact of:
  - unfavourable effect from currencies vs 2009
  - increase in utility cost / fuel & power
  - increase in depreciation mainly due to liquid project
  - increase due to general inflation

lifeline

Increased distribution & marketing to net sales ratio in 2010



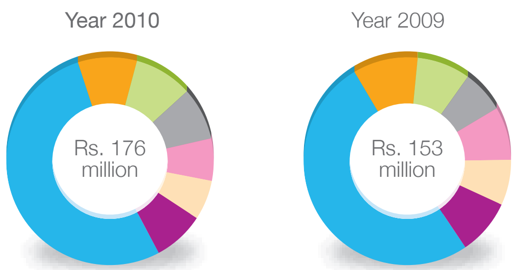


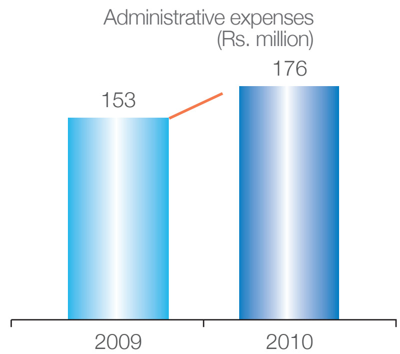
	Year 2010	Year 2009
Staff cost	29.1%	26.7%
Advertising and sales promotion	28.0%	20.7%
Traveling and conveyance	19.1%	19.2%
Cost of sample issued	5.7%	6.1%
Handling freight & transportation	5.5%	3.8%
Commission expense	5.3%	15.0%
Depreciation / amortization	2.2%	2.0%
Others	5.1%	6.5%

D&M ratio up in 2010 due to

- positive impact of:
  - lower commission expense
  - cost–savings on track
- negative impact of:
  - higher advertising expenses
  - increase handling, freight & transportation
  - increase in utility cost
  - increase in depreciation
  - increase due to general inflation

Administrative expenses in 2010

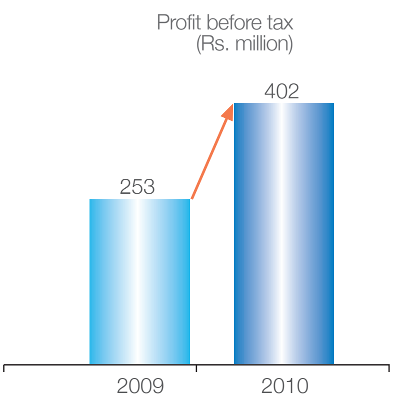




	Year 2010	Year 2009
Staff cost	52.8%	50.9%
Depreciation / amortization	9.2%	10.1%
Traveling and conveyance	9.1%	8.3%
Fuel and power	8.2%	6.6%
Repairs and maintenance	6.6%	8.3%
Communication	6.2%	7.1%
Others	7.9%	8.7%

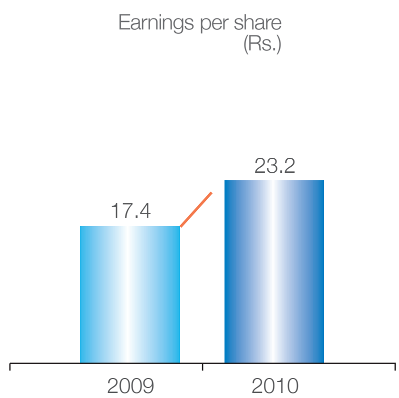
Administrative expenses up in 2010 due to

- increase in utility costs
- increase in canteen cost
- increased depreciation cost mainly because vehicles replacement / new vehicles for employees



+ 58.9% growth on a reported basis

+ 34.1% growth on a reported basis



+ 33.3% growth on a reported basis

Statement of value added

	2010 Rs.000	%	2009 Rs.000	%
VALUE ADDED				
Net sales	6,158,295	100	6,725,708	100
Materials and services	(4,570,668)	(74)	(5,301,935)	(79)
	1,587,627	26	1,423,773	21
EMPLOYEES				
Staff costs	747,756	48	713,464	51
Workers' Profit Participation Fund	21,938	1	13,708	1
	769,694	49	727,172	52
GOVERNMENT				
Income tax	171,299	11	148,078	10
Custom duty & Sales Tax	237,605	15	217,896	15
Workers' Welfare Fund	8,033	-	5,164	-
	416,937	26	371,138	25
CAPITAL PROVIDERS				
Dividend to shareholders	96,448	6	67,513	5
Mark-up on borrowed funds	126,891	8	126,262	9
	223,339	14	193,775	14
SOCIETY				
Donation towards education, health and environment	2,899	-	1,845	-
Depreciation / amortisation	174,758	11	129,843	9
	1,587,627	100	1,423,773	100

Wealth Distribution 2010

Employees	49%
Government	26%
Capital providers	14%
Depreciation / amortisation	11%

Wealth Distribution 2009

Employees	52%
Government	25%
Capital providers	14%
Depreciation / amortisation	9%

Operating & financial highlights

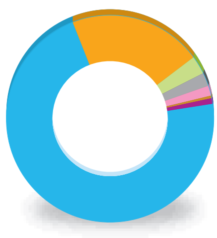
		2005	2006	2007	2008	2009	2010
Liquidity Ratios							
Current Ratio	Times	1.3	1.5	1.3	1.0	1.0	1.4
Quick Ratio	Times	0.3	0.5	0.4	0.3	0.4	0.5
Net Working Capital	Rs. 000	352,915	413,844	382,834	(27,776)	(38,124)	555,195
Net Assets	Rs. 000	940,717	1,116,141	1,114,124	1,116,612	1,292,449	1,461,403
Operating Cycle	Days	71	86	70	57	46	53
Current assets / Total assets	%	70.0	63.9	66.9	59.3	59.2	57.5
Inventory / Current Assets	%	73.2	65.9	68.9	64.7	57.7	61.7
Inventory / Total Assets	%	51.2	42.1	46.1	38.4	34.2	35.5
Activity Ratios							
Inventory Turnover	Times	2.6	2.6	2.9	2.9	4.4	3.7
Average No of Days inventory in stock	Days	137	137	125	124	83	98
Accounts Receivable Turnover	Times	47.5	33.1	27.3	30.0	27.0	24.5
Average Collection Period	Days	8	11	13	12	14	15
Creditors Turnover	Times	4.9	5.8	5.3	4.6	7.1	6.0
Creditors Turnover	Days	74	62	68	79	51	60
Fixed Assets Turnover	Times	5.5	5.4	4.9	3.6	4.8	4.4
Operating Fixed Assets Turnover	Times	8.9	9.7	6.0	6.7	8.7	4.8
Total Assets Turnover	Times	1.6	1.9	1.6	1.5	2.0	1.8
Leverage							
Debt to Equity Ratio	Times	0.7	0.3	0.5	0.8	1.1	0.5
Interest Earned	Times	9.3	7.4	2.8	2.0	2.9	4.1
Fixed Assets to Equity	Times	0.7	0.6	0.7	1.1	1.1	1.0
Financial Leverage	Times	1.6	1.8	2.4	4.5	2.5	2.2
Profitability Ratios							
Sales Growth	%	8.4	10.8	2.0	11.6	54.7	(8.4)
COGS as a % of Net Sales	%	66.2	67.4	72.2	75.7	75.8	71.5
EBITDA*	Rs. 000	500,860	476,428	273,956	274,185	509,164	703,290
Profit before tax as a % of Net Sales	%	11.6	9.3	3.0	1.9	3.8	6.5
Net Profit Margin	%	8.0	5.9	1.9	0.9	2.5	3.6
Gross Profit Margin	%	33.8	32.6	27.8	24.3	24.2	28.5
Operating Profit Margin	%	13.0	10.8	4.6	3.9	5.7	8.6
Return on Assets	%	12.7	11.4	3.1	1.3	4.9	6.7
Return on Equity	%	29.4	20.3	6.8	3.4	12.9	15.3
Return on Capital Employed	%	28.3	28.3	10.7	8.4	14.2	24.0
Admin. Dist. & Mktg. Exp./Net Sales	%	19.5	20.7	22.1	20.2	17.9	20.6
Admin. Dist. & Mktg. Exp. Variance	%	23.1	17.4	9.0	2.1	36.5	5.7
Financial Charges / Net Income	%	17.4	24.4	86.3	227.6	78.3	58.0
Market Value							
Market Value Per Share	Rs.	295	252	276	211	145	142
Market / Book Ratio	Times	3.0	2.2	2.4	1.8	1.1	0.9
Earnings per share (before tax)	Rs.	41.36	36.87	12.02	8.75	26.2	41.64
Earnings per share (after tax)	Rs.	28.64	23.54	7.81	3.97	17.4	23.23
Price Earning Ratio	Times	10.3	10.7	35.4	53.2	8.4	6.1
Dividend per Share	Rs.	8.70	7.10	4.40	1.40	7.00	10.00
Dividend Yield	%	2.9	2.8	1.6	0.7	4.8	7.0
Dividend Cover	Times	3.4	3.3	3.7	2.6	3.0	2.2
Payout Ratio (after tax)	%	30.4	30.2	56.4	35.3	40.3	43.1
Market Capitalisation	Rs. M	2,845	2,431	2,662	2,035	1,398	1,370
Break-up Value	Rs.	97.54	115.72	115.52	115.77	134.00	151.52

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

Operating & financial highlights

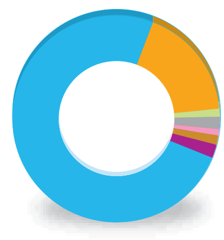
Application of revenue 2010

Cost of Sales	71.53%
Dist Mkt & Admin. Exp.	20.62%
Taxation	2.88%
Finance Costs	2.11%
Dividend	1.57%
Retained Profit	0.41%
Other Charges	0.88%

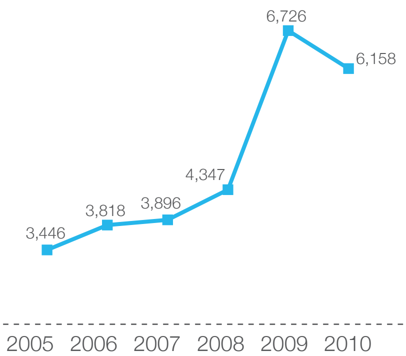


Application of revenue 2009

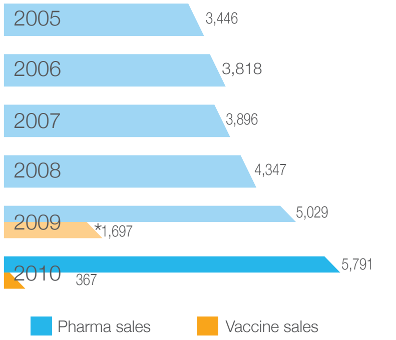
Cost of Sales	74.69%
Dist Mkt & Admin. Exp.	17.59%
Taxation	1.26%
Finance Costs	1.92%
Dividend	0.99%
Retained Profit	1.46%
Other Charges	2.09%



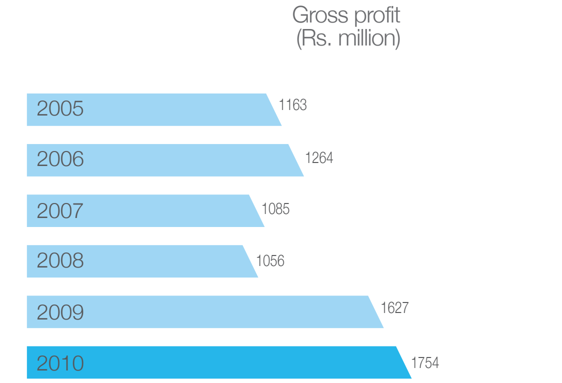
Total company net sales (Rs. million)

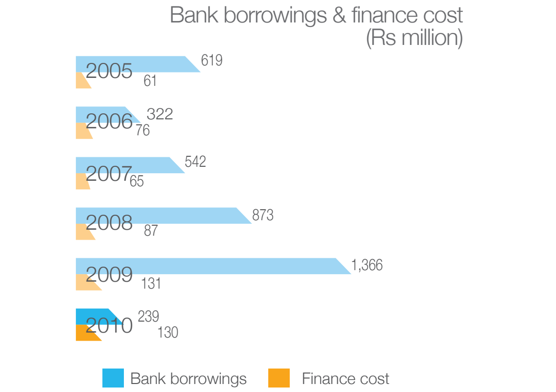


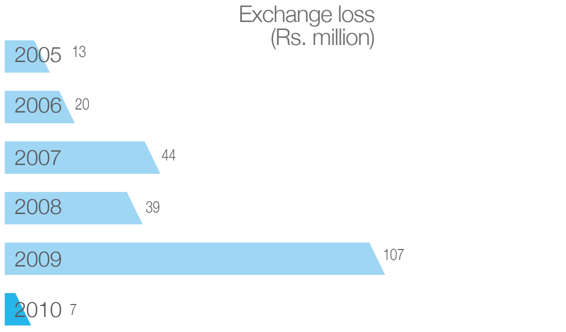
Pharma & vaccine net sales (Rs. million)

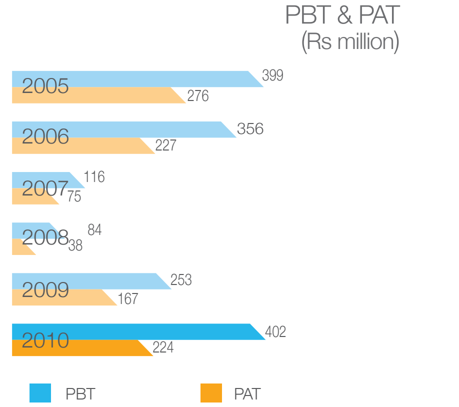


*The company advent into vaccines business during the year 2009


Gross profit
(Rs. million)
2005 1163
2006 1264
2007 1085
2008 1056
2009 1627
2010 1754

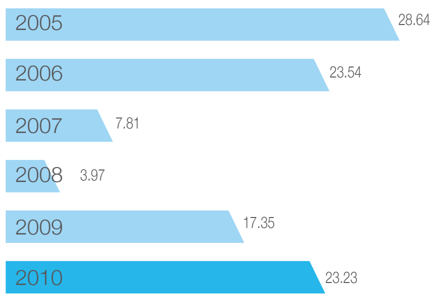

Bank borrowings & finance cost
(Rs million)
2005 619 61
2006 322 76
2007 542 65
2008 873 87
2009 1,366 131
2010 239 130
Bank borrowings
Finance cost


Exchange loss
(Rs. million)
2005 13
2006 20
2007 44
2008 39
2009 107
2010 7

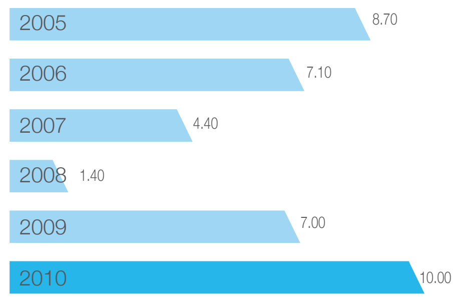

PBT & PAT
(Rs million)
2005 399 276
2006 356 227
2007 116 75
2008 84 38
2009 253 167
2010 402 224
PBT
PAT

Operating & financial highlights

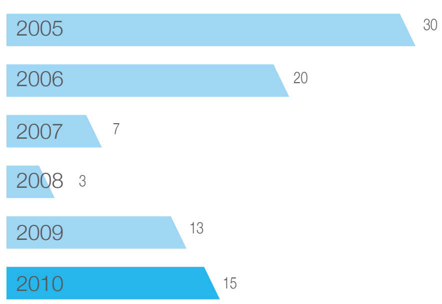
Earnings per share
(Rupees)



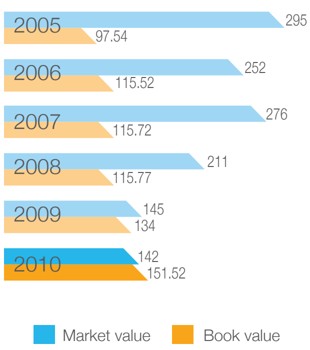
Dividend per share
(Rupees)



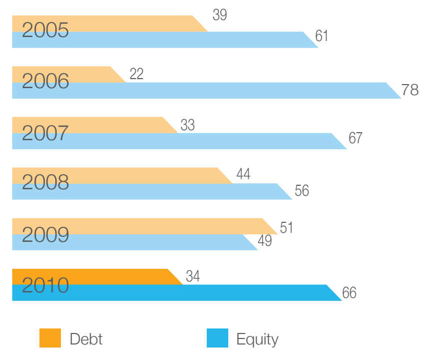
Return on equity
(%)



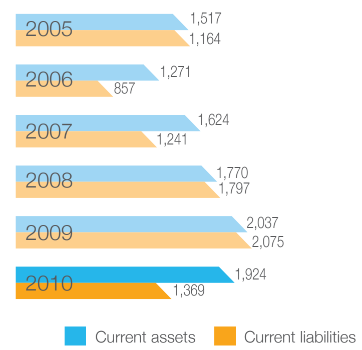
Market value & book value per share
(Rupees)



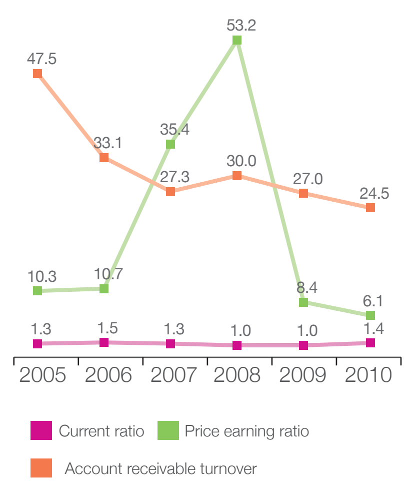
Debt to Equity (%)



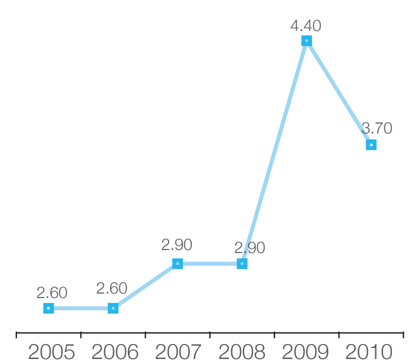
Current assets & current liabilities
(Rs million)



Current ratio
Price earning ratio
Account receivable turnover
(Times)



Inventory turnover
(Times)



Horizontal analysis

Horizontal analysis

	2010	Variances vs Last Year Increase/ (Decrease) %	2009	Variances vs Last Year Increase/ (Decrease) %	2008	Variances vs Last Year Increase/ (Decrease) %	2007	Variances vs Last Year Increase/ (Decrease) %	2006	Variances vs Last Year Increase/ (Decrease) %	2005	Variances vs Last Year Increase/ (Decrease) %
Operating Results (Rupees in million)												
Net sales	6,158	(8.4)	6,726	54.7	4,347	11.6	3,896	2.0	3,818	10.8	3,446	8.4
Cost of sales	(4,405)	(13.6)	(5,099)	54.9	(3,291)	17.0	(2,812)	9.3	(2,573)	12.7	(2,283)	4.1
Gross profit	1,753	7.7	1,627	54.1	1,056	(2.6)	1,084	(12.9)	1,245	7.1	1,163	18.1
Distribution,selling and administrative expenses	(1,269)	5.7	(1,201)	36.5	(880)	2.1	(862)	9.1	(790)	17.4	(673)	23.0
Other operating expenses	(54)	(62.2)	(143)	150.9	(57)	(9.5)	(63)	50.0	(42)	(12.5)	(48)	9.1
Other operating income	102	1.0	101	94.2	52	136.4	22	22.2	18	-	18	12.5
Operating profit	532	38.5	384	124.6	171	(5.5)	181	(58.0)	431	(6.3)	460	12.2
Finance costs	(130)	(0.8)	(131)	50.6	(87)	33.8	(65)	(14.5)	(76)	24.6	(61)	134.6
Profit before taxation	402	58.9	253	201.2	84	(27.6)	116	(67.3)	355	(11.0)	399	3.9
Taxation	(178)	107.0	(86)	87.0	(46)	12.2	(41)	(68.0)	(128)	4.1	(123)	(11.5)
Net profit	224	34.1	167	339.5	38	(49.3)	75	(67.0)	227	(17.8)	276	12.7
Balance Sheet (Rupees in million)												
Fixed assets	1,409	1.1	1,393	16.6	1,195	50.9	792	12.8	702	11.1	632	5.7
Other non current assets	10	11.1	9	(10.0)	10	(16.7)	12	(20.0)	15	(16.7)	18	(37.9)
Current assets	1,924	(5.5)	2,037	15.1	1,770	9.0	1,624	27.8	1,271	(16.2)	1,517	77.0
Non-current assets classified as available for sale	5	-	-	-	9	-	-	-	-	-	-	-
Total assets	3,348	(2.6)	3,439	15.2	2,984	22.9	2,428	22.1	1,988	(8.3)	2,167	46.0
Ordinary share capital	96	-	96	-	96	-	96	-	96	-	96	-
Reserves	1,365	14.0	1,197	17.2	1,021	0.3	1,018	(0.2)	1,020	20.7	845	47.7
Non-current liabilities	518	629.6	71	1.4	70	(4.1)	73	386.7	15	(75.8)	62	(67.0)
Current liabilities	1,369	(34.0)	2,075	15.5	1,797	44.8	1,241	44.8	857	(26.4)	1,164	85.4
Total equity and libilities	3,348	(2.6)	3,439	15.2	2,984	22.9	2,428	22.1	1,988	(8.3)	2,167	46.0
Cash Flows (Rupees in thousand)												
Cash generated from / (used in) operations	1,175,506	1,943.5	57,523	(84.3)	366,877	75.5	209,070	(73.0)	775,187	(1,143.9)	(74,258)	(115.3)
Cash flows (used in) / from operating activities	(295,174)	1.5	(290,735)	72.6	(168,484)	(5.9)	(179,000)	(32.4)	(264,774)	42.6	(185,659)	(188.6)
Cash flows used in investing activities	(184,246)	(24,9)	(245,214)	(49.6)	(486,365)	164.5	(183,874)	39.2	(132,128)	47.6	(89,494)	(56.7)
Cash flows (used in) / from financing activities	(99,247)	(119.3)	515,279	(1,319.0)	(42,271)	(81.7)	(230,778)	(39.0)	(378,624)	(344.8)	154,660	(209.0)
Net increase / (decrease) in cash and cash equivalents	596,839	1,519.5	36,853	(111.2)	(330,243)	(14.1)	(384,582)	113,346.0	(339)	(99.8)	(194,751)	(156.3)
Number of permanent employees at year end	756		773		789		846		847		829	

Fair value of Fixed Assets

The fair value of Land, Building and Plant & Machinery (included within fixed assets) as at December 31, 2010 approximated to Rs. 2,757.623 (December 31, 2009: Rs. 2,240.741) million. The increase in fair value from last year is primarily due to capitalization of various projects (including new liquid manufacturing facility) during the year 2010.

Vertical analysis

	2010	%	2009	%	2008	%	2007	%	2006	%	2005	%
Operating Results (Rupees in million)												
Net sales	6,158	100.0	6,726	100.0	4,347	100.0	3,896	100.0	3,818	100.0	3,446	100.0
Cost of sales	(4,405)	(71.5)	(5,099)	(75.8)	(3,291)	(75.7)	(2,812)	(72.2)	(2,573)	(67.4)	(2,283)	(66.3)
Gross profit	1,753	28.5	1,627	24.2	1,056	24.3	1,084	27.8	1,245	32.6	1,163	33.7
Distribution,selling and administrative expenses	(1,269)	(20.6)	(1,201)	(17.9)	(880)	(20.2)	(862)	(22.1)	(790)	(20.7)	(673)	(19.5)
Other operating expenses	(54)	(0.9)	(143)	(2.1)	(57)	(1.3)	(63)	(1.6)	(42)	(1.1)	(48)	(1.4)
Other operating income	102	1.7	101	1.5	52	1.2	22	0.6	18	0.5	18	0.5
Operating profit	532	8.7	384	5.7	171	4.0	181	4.7	431	11.3	460	13.3
Finance costs	(130)	(2.1)	(131)	(1.9)	(87)	(2.0)	(65)	(1.7)	(76)	(2.0)	(61)	(1.8)
Profit before taxation	402	6.6	253	3.8	84	2.0	116	3.0	355	9.3	399	11.5
Taxation	(178)	(2.9)	(86)	(1.3)	(46)	(1.1)	(41)	(1.1)	(128)	(3.4)	(123)	(3.6)
Net profit	224	3.7	167	2.5	38	0.9	75	1.9	227	5.9	276	7.9
Balance Sheet (Rupees in million)												
Fixed assets	1,409	42.1	1,393	40.5	1,195	40.1	792	32.6	702	35.3	632	29.2
Other non current assets	10	0.3	9	0.3	10	0.3	12	0.5	15	0.8	18	0.8
Current assets	1,924	57.5	2,037	59.2	1,770	59.3	1,624	66.9	1,271	63.9	1,517	70.0
Non-current assets classified as available for sale	5	0.1	-	-	9	0.3	-	-	-	-	-	-
Total assets	3,348	100.0	3,439	100.0	2,984	100.0	2,428	100.0	1,988	100.0	2,167	100.0
Ordinary share capital	96	2.9	96	2.8	96	3.2	96	4.0	96	4.8	96	4.4
Reserves	1,365	40.8	1,197	34.8	1,021	34.2	1,018	41.9	1,020	51.3	845	39.0
Non-current liabilities	518	15.5	71	2.1	70	2.3	73	3.0	15	0.8	62	2.9
Current liabilities	1,369	40.9	2,075	60.3	1,797	60.3	1,241	51.1	857	43.1	1,164	53.7
Total equity and libilities	3,348	100.0	3,439	100.0	2,984	100.0	2,428	100.0	1,988	100.0	2,167	100.0
Cash Flows (Rupees in thousand)												
Cash generated from/(used in) operations	1,175,506	197.0	57,523	156.1	366,877	(111.1)	209,070	(54.4)	775,187	(228,668.7)	(74,258)	38.1
Cash flows (used in) / from operating activities	(295,174)	(49.5)	(290,735)	(788.9)	(168,484)	51.0	(179,000)	46.5	(264,774)	78,104.4	(185,659)	95.3
Cash flows used in investing activities	(184,246)	(30.9)	(245,214)	(665.4)	(486,365)	147.3	(183,874)	47.8	(132,128)	38,975.8	(89,494)	46.0
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Net increase / (decrease) in cash and cash equivalents	596,839	100.0	36,853	100.0	(330,243)	100.0	(384,582)	100.0	(339)	100.0	(194,751)	100.0
Number of permanent employees at year end	756		773		789		846		847		829	

Fair value of Fixed Assets

The fair value of Land, Building and Plant & Machinery (included within fixed assets) as at December 31, 2010 approximated to Rs. 2,757.623 (December 31, 2009: Rs. 2,240.741) million. The increase in fair value from last year is primarily due to capitalization of various projects (including new liquid manufacturing facility) during the year 2010.

Vertical analysis

Notice of meeting

Notice is hereby given that the forty third Annual General Meeting of the company will be held on Tuesday, 29 March, 2011 at 12:00 hours in the Banquet Hall of the Beach Luxury Hotel, Molvi Tamizuddin Khan Road, Karachi to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of the last Annual General Meeting held on 29 March, 2010.

2. To receive and adopt the Balance Sheet and Profit & Loss Account for the year ended 31 December, 2010 together with the Directors' and Auditors' reports thereon.

3. To approve and declare dividend on the ordinary shares of the company. The directors have recommended a cash dividend of Rs.10.00 (100%) per share.

4. To appoint Auditors' for the year ending 31 December, 2011 and to fix their remuneration. The present auditors, M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants being eligible, have offered themselves for re-appointment. The Audit Committee and Board of Directors have also recommended appointment of M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants as Auditors for the year ending December 31, 2011.

5. To elect nine Directors as fixed by the Board, in accordance with the provisions of Section 178 of the Companies Ordinance, 1984 for a term of three years, in place of the retiring Directors namely Messrs. Syed Babar Ali, Tariq Wajid, Arshad Ali Gohar, Hussain Lawai, Syed Hyder Ali, Shailesh Ayyangar, Francois-Xavier Duhalde, Jean-Marc Georges and M.Z. Moin Mohajir.

By Order of the Board

Muhammad Irfan
Company Secretary

Karachi, March 8, 2011

Notes:

1. The Share Transfer Books of the Company shall remain closed from 23 March, 2011 to 29 March, 2011 (both days inclusive).

2. A member entitled to attend and vote at the above meeting may appoint a proxy to attend and vote on his behalf. No person shall act as a proxy (except for a corporation) unless he is entitled to be present and vote in his own right. Instrument appointing proxy must be deposited at the registered office of the Company at least 48 hours before the time of the Meeting.

3. Shareholders whose shares are deposited with Central Depository Company (CDC) are requested to bring their original computerized national identity card and account number in the CDC for verification.

4. CDC account holders will further have to follow the guidelines as laid down in Circular No.1, dated 26 January 2000 issued by the Securities and Exchange Commission of Pakistan.

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 43rd Annual General Meeting of the company to be held on Tuesday, March 29, 2011 and at any adjournment thereof.

As witness my / our hand this __________ day of __________ 2011.

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

Fold Here

AFFIX
CORRECT
POSTAGE

The Company Secretary

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

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sanofi aventis
Because health matters.

sanofi-aventis Pakistan limited
Plot 23, Sector 22, Korangi Industrial Area, Karachi-74900.
P.O. Box 4962, Karachi-74000