

sanofi-aventis Pakistan limited

**INTERIM CONDENSED**  
**FINANCIAL STATEMENTS**  
**FOR THE FIRST QUARTER ENDED**  
**MARCH 31, 2009**  
**(UN-AUDITED)**

**sanofi aventis**

Because health matters

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## COMPANY INFORMATION

### Board of Directors

Syed Babar Ali  
Tariq Wajid  
Pir Ali Gohar  
Tariq Iqbal Khan  
Syed Hyder Ali  
J.L. Grunwald  
Eric Le-Bris  
Jean-Marc Georges  
M.Z. Moin Mohajir

Chairman  
Managing Director  
(Alternate Arshad Ali Gohar)

(Alternate Dr.Amanullah Khan)  
(Alternate Shakeel Mapara)  
(Alternate Muhammad Amjad)

### Company Secretary

Muhammad Irfan

### Board Audit Committee

Syed Hyder Ali  
Eric Le-Bris  
Dr. Amanullah Khan

(Chairman) Non-Executive Director  
(Member) Non-Executive Director  
(Member) Executive Director

Yasir Pirmuhammad

(Secretary) Head of Audit & Compliance

### Board Share Transfer Committee

Tariq Wajid  
M.Z. Moin Mohajir

### Management Committee

Tariq Wajid  
Muhammad Amjad  
Dr. Amanullah Khan  
Zubair Rizvi  
Aslam Sheikh  
Masaud Ahmed  
Dr. Sohail Manzoor

M.Z. Moin Mohajir  
Shakeel Mapara  
Aamer Waheed  
Masood A. Khan  
Yasir Pirmuhammad  
Mamoona F. Naqvi  
Laila Khan

### Auditors

Ford Rhodes Sidat Hyder & Co.  
Chartered Accountants

### Legal Advisors

Azfar & Azfar  
Haidermota & Co.  
Saadat Yar Khan & Co.  
Ghani Law Associates  
Bilal Law Associates  
Syed Qamaruddin Hassan  
Kundi & Kundi

### Bankers

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

### Registered Office

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

### Postal Address

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

### Registrars & Share Transfer Office

FAMCO Associates (Pvt.) Ltd.  
State Life Building No. 2-A,  
I.I. Chundrigar Road, Karachi - 74000.

### URL

[www.sanofi-aventis.com.pk](http://www.sanofi-aventis.com.pk)

## DIRECTORS' REPORT TO THE SHAREHOLDERS

We are pleased to present the un-audited interim condensed financial statements of your company, for the quarter ended March 31, 2009. These financial statements have been prepared in accordance with section 245 of the Companies Ordinance, 1984.

Net sales for the period under report, at Rs.1,185 million, recorded a healthy growth of 35.49% over the comparable period last year. As mentioned in our earlier reports also, the growth in net sales is mainly attributable to volume growth as we were granted price increases for "hardship cases", in the last week of November 2008, on 4 products only, with the freeze on selling prices since December 2001 continuing on the remaining products. The sales growth above also included net sales for vaccines private market business which, as mentioned in our last report, has started functioning during the quarter under report and is expected to add more value during the remaining quarters of the year ending December 31, 2009.

Gross margin as a percentage of net sales has reduced to 24.16% from 27.16% over the comparative prior period. The decrease in margins is mainly due to depreciation of Pak Rupee against all hard currencies resulting in higher cost of raw and packing materials, continued high inflation as well as significant increases recorded in all cost categories.

Distribution and marketing expenses have increased by 34.14% as compared to the comparative period last year; however, as a % of net sales these have reduced from 21.97% to 21.75%. The cost increase in absolute terms is mainly attributable to general inflation and increase in spending on advertising and promotional activities necessary to invest in core and new products. Administrative expenses increased by 26% over the corresponding period last year, again mainly due to general inflation.

Operating income for the period includes gain on disposal of freehold land and building, located at Rawalpindi, for an amount of Rs.49.63 million classified as non-current assets held for sale as at December 31, 2008. Finance cost increased by 108.20% over the similar period last year, due to capital expenditure and high borrowing costs in the preceding months.


Profit before tax for the quarter ended has reduced by Rs.11.439 million over the comparative prior period because of the reasons explained above.

We launched Apidra® SoloSTAR® (insulin glusine) to help patients with Type I and Type II diabetes to achieve their treatment targets. Lantus® SoloSTAR® and Apidra® SoloSTAR® is the best combination of insulin and easy to use pen that's easier to inject.

Notwithstanding unforeseen events, we expect the sales growth in the remaining quarters of 2009 to be in line with the industry trend. However, due to adverse impact of devaluation of Pak Rupee and inflation, across the board price increase is now essential for the Pharma industry. Industry representatives are in constant engagement with the relevant government officials for this purpose.

On behalf of the Board of Directors, we would like to acknowledge the hard work put in by all the employees of the Company.

**By order of the Board**

  
**SYED BABAR ALI**  
Chairman

  
**TARIQ WAJID**  
Chief Executive

# INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2009

	Note	March 31, 2009 ----- Rupees in '000----- (Un-audited)	December 31, 2008 (Audited)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed assets			
Property plant and equipment	4	1,305,986	1,195,249
Intangible asset		566	729
Long-term loans		5,765	6,361
Long-term deposits		3,509	3,325
<b>CURRENT ASSETS</b>			
Stores and spares		40,522	40,912
Stock-in-trade		1,196,416	1,104,944
Trade debts		140,811	151,951
Short term loans and advances		26,199	24,188
Trade deposits and short-term prepayments		111,734	40,585
Other receivables		83,749	135,252
Taxation – payment less provision		294,759	269,802
Cash and bank balances		7,959	2,186
		1,902,149	1,769,820
<b>NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE</b>		-	8,871
<b>TOTAL ASSETS</b>		3,217,975	2,984,355
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital			
Authorised			
10,000,000 Ordinary shares of Rs.10 each		100,000	100,000
Issued, subscribed and paid-up		96,448	96,448
Reserves			
Capital reserves		50,318	48,255
Revenue reserve		975,903	971,909
		1,026,221	1,020,164
		1,122,669	1,116,612
<b>NON-CURRENT LIABILITY</b>			
Deferred taxation		56,906	70,147
<b>CURRENT LIABILITIES</b>			
Trade and other payables		905,574	892,998
Accrued mark-up on short term borrowings		30,202	32,086
Short-term borrowings		1,102,624	872,512
		2,038,400	1,797,596
<b>CONTINGENCIES AND COMMITMENTS</b>			
<b>TOTAL EQUITY AND LIABILITIES</b>		3,217,975	2,984,355

The annexed notes 1 to 11 form an integral part of these interim condensed financial statements.

  
**SYED BABAR ALI**  
Chairman

  
**TARIQ WAJID**  
Chief Executive

**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME**  
FOR THE FIRST QUARTER ENDED MARCH 31, 2009 (UN-AUDITED)

	<b>March 31, 2009</b>	<b>March 31, 2008</b>
	----- Rupees in '000----- (Restated)	
<b>NET SALES</b>	1,185,439	874,922
Cost of sales	(899,037)	(637,263)
<b>GROSS PROFIT</b>	<u>286,402</u>	<u>237,659</u>
Distribution and marketing expenses	(257,784)	(192,178)
Administrative expenses	(34,209)	(27,149)
Other operating expenses	(9,493)	(2,642)
Other operating income	56,381	21,504
	(245,105)	(200,465)
<b>OPERATING PROFIT</b>	<u>41,297</u>	<u>37,194</u>
Finance costs	(32,653)	(17,111)
<b>PROFIT BEFORE TAXATION</b>	<u>8,644</u>	<u>20,083</u>
Taxation – Current for the period	(3,820)	(14,385)
– Deferred	12,673	3,431
	8,853	(10,954)
<b>NET PROFIT FOR THE PERIOD</b>	<u>17,497</u>	<u>9,129</u>
<b>OTHER COMPREHENSIVE INCOME – net of tax</b>		
Employee benefit cost under IFRS 2 – “Share based Payment”	2,063	334
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u>19,560</u>	<u>9,463</u>
<b>BASIC EARNINGS PER SHARE (Rs. per share)</b>	<u>1.81</u>	<u>0.95</u>

The annexed notes 1 to 11 form an integral part of these interim condensed financial statements.

  
**SYED BABAR ALI**  
Chairman

  
**TARIQ WAJID**  
Chief Executive

**INTERIM CONDENSED STATEMENT OF CASH FLOWS**  
**FOR THE FIRST QUARTER ENDED MARCH 31, 2009 (UN-AUDITED)**

	Note	March 31, 2009	March 31, 2008
		----- Rupees in '000----- (Restated)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash (used in) / generated from operations	6	(80,918)	32,306
Finance costs paid		(34,537)	(32,847)
Income tax paid		(29,345)	(24,015)
Long-term loans (net)		596	1,867
Long-term deposits (net)		(184)	-
<b>Net cash used in operating activities</b>		<b>(144,388)</b>	<b>(22,689)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(142,656)	(40,863)
Sale proceeds from disposal of operating fixed assets		5,535	5,842
Sale proceeds from disposal of non-current assets classified as held for sale		58,500	-
<b>Net cash used in investing activities</b>		<b>(78,621)</b>	<b>(35,021)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid		(1,330)	-
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(224,339)</b>	<b>(57,710)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>		<b>(870,326)</b>	<b>(540,083)</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	7	<b>(1,094,665)</b>	<b>(597,793)</b>

The annexed notes 1 to 11 form an integral part of these interim condensed financial statements.

  
**SYED BABAR ALI**  
 Chairman

  
**TARIQ WAJID**  
 Chief Executive

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY  
FOR THE FIRST QUARTER ENDED MARCH 31, 2009 (UN-AUDITED)

	Issued, subscribed and paid-up share capital	Long term liabilities forgone	Capital Reserves		Revenue Reserves		Total
			Difference of share capital under scheme of arrangement for amalgamation	Other	General reserve	Unappropriated profit	
Rupees in '000							
Balance as at January 1, 2008	96,448	5,935	18,000	17,036	835,538	141,167	1,114,124
Total comprehensive income for the period ended March 31, 2008	-	-	-	334	-	9,129	9,463
Final dividend for the year ended December 31, 2007	-	-	-	-	-	(42,437)	(42,437)
Transfer to general reserve	-	-	-	-	100,000	(100,000)	-
<b>Balance as at March 31, 2008</b>	<b>96,448</b>	<b>5,935</b>	<b>18,000</b>	<b>17,370</b>	<b>935,538</b>	<b>7,859</b>	<b>1,081,150</b>
Balance as at January 1, 2009	96,448	5,935	18,000	24,320	935,538	36,371	1,116,612
Total comprehensive income for the period ended March 31, 2009	-	-	-	2,063	-	17,497	19,560
Final dividend for the year ended December 31, 2008	-	-	-	-	-	(13,503)	(13,503)
<b>Balance as at March 31, 2009</b>	<b>96,448</b>	<b>5,935</b>	<b>18,000</b>	<b>26,383</b>	<b>935,538</b>	<b>40,365</b>	<b>1,122,669</b>

The annexed notes 1 to 11 form an integral part of these interim condensed financial statements.



**SYED BABAR ALI**  
Chairman



**TARIQ WAJID**  
Chief Executive



**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
FOR THE FIRST QUARTER ENDED MARCH 31, 2009 (UN-AUDITED)

**1. THE COMPANY AND ITS OPERATIONS**

The Company was incorporated in Pakistan in 1967 under the Companies Act, VII of 1913, as a Public Limited Company. The shares of the Company are listed on Karachi, Lahore and Islamabad Stock Exchanges. It is currently 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. BASIS OF PREPARATION**

These interim condensed financial statements are unaudited and are being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984 and the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges and have been prepared in accordance with the requirements of the International Accounting Standard (IAS) – 34 "Interim Financial Reporting", as applicable in Pakistan.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2008.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of these interim condensed financial statements are the same as those applied in the preparation of the annual financial statements of the Company for the year ended December 31, 2008.

**Accounting standards, amendments and interpretations effective in 2009**

IAS1, "Presentation of financial statements", issued in September 2007 revises the existing IAS 1 and is effective from January 1, 2009. It requires apart from changing the names of certain components of financial statements, presentation of transactions with owners in the statement of changes in equity and with non-owners in the comprehensive income statement. Adoption of revised standard mainly impacts the presentation of the financial statements.

**4. PROPERTY, PLANT AND EQUIPMENT – at cost**

	Note	March 31, 2 0 0 9	December 31, 2 0 0 8
		----- Rupees in '000----- (Un-audited)	----- Rupees in '000----- (Audited)
Operating fixed assets	4.1	633,427	644,858
Capital work-in-progress		<u>672,559</u>	<u>550,391</u>
		<u>1,305,986</u>	<u>1,195,249</u>

**4.1 Operating fixed assets**

Following were the additions and disposals of fixed assets during the current period:

	Additions	Disposals Cost	Accumulated Depreciation
	----- Rupees in '000-----		
Plant and machinery	-	2,043	1,570
Furniture and fixtures	40	-	-
Factory and office equipments	6,623	3,416	1,405
Vehicles	13,825	3,877	2,700

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED MARCH 31, 2009 (UN-AUDITED)

**5. CONTINGENCIES AND COMMITMENTS**

**Contingencies**

- 5.1 Bank guarantees, aggregating to Rs.74.338 million, as at March 31, 2009 (December 31, 2008: Rs.69.328 million) 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.
- 5.2 There is no change in the status of other contingencies, as set out in note 21.1 to the annual financial statements of the Company for the year ended December 31, 2008.

**Commitments**

- 5.3 Commitments in respect of capital expenditure contracted for as at March 31, 2009 amounted to Rs.121.530 million (December 31, 2008: Rs.209.76 million).
- 5.4 Commitments for rentals under operating lease agreements in respect of vehicles as at March 31, 2009 amounted to Rs.2.381 million (December 31, 2008: Rs.3.520 million), payable over the next three years as follows:

Years	March 31, 2009	December 31, 2008
	----- Rupees in '000 -----	
2009	1,496	2458
2010	708	708
2011	177	354
	<u>2,381</u>	<u>3,520</u>

Note	March 31, 2009	March 31, 2008
	----- Rupees in '000 -----	
		(Restated)

**6. CASH GENERATED FROM OPERATIONS**

Profit before taxation	8,644	20,083
<b>Adjustment for non-cash charges and other items:</b>		
Depreciation / amortization	28,421	25,646
Gain on disposal of operating fixed assets	(1,874)	(3,505)
Gain on disposal of non-current assets classified as held for sale	(49,629)	-
Expenses arising from equity settled share based plans	2,063	334
Retirement benefits	2,530	2,175
Financial charges	32,653	17,111
Working capital changes	6.1 (103,726)	(29,538)
	<u>(80,918)</u>	<u>32,306</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED MARCH 31, 2009 (UN-AUDITED)

March 31, 2009      March 31, 2008  
----- Rupees in '000 -----

(Restated)

6.1 Working capital changes

Decrease / (increase) in current assets:

Stores and spares	390	(1,309)
Stock-in-trade	(91,472)	13,939
Trade debts	11,140	13,924
Short-term loans and advances	(2,011)	(8,747)
Trade deposits and short-term prepayments	(71,149)	(2,643)
Other receivables – net	52,017	8,152
	<u>(101,085)</u>	<u>23,316</u>

(Decrease) in current liabilities:

Trade and other payables – net (excluding accruals for financial charges and unclaimed dividend)	(2,641)	(52,854)
	<u>(103,726)</u>	<u>(29,538)</u>

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following items:

Cash and bank balances	7,959	3,392
Short-term borrowings	(1,102,624)	(601,185)
	<u>(1,094,665)</u>	<u>(597,793)</u>

8. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of associated undertakings, employees' provident fund, employees' gratuity fund, employees' pension fund, directors and key management personnel of the Company.

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

Details of transactions with related parties during the period were as follows:

	March 31, 2009					March 31, 2008				
	Related parties by virtue of common				Total	Related parties by virtue of common				Total
	Group Companies	Directorship	Retirement plans	Key management personnel		Group Companies	Directorship	Retirement plans	Key management personnel	
	----- Rupees in '000 -----					----- Rupees in '000 -----				
i) Net sales	6,891	1,520	-	-	8,211	7,672	1,054	-	-	8,726
ii) Purchase of goods	262,071	1,993	-	-	264,064	287,824	9,058	-	-	296,882
iii) Purchase of services	-	3,858	-	-	3,858	-	3,096	-	-	3,096
iv) Recovery of service charges and other expenses	-	1,253	-	-	1,253	-	1,581	-	-	1,581
v) License fee of land received	-	1,443	-	-	1,443	-	1,140	-	-	1,140
vi) Royalty and technical fee	-	-	-	-	-	5,503	-	-	-	5,503
vii) Contribution paid - Provident Fund	-	-	4,922	-	4,922	-	-	4,392	-	4,392
viii) Remuneration of key management personnel	-	-	-	18,199	18,199	-	-	-	13,390	13,390

Further, the impact of benefits available to the Chief Executive and others recognized by the Company in the expenses during the period on account of share-based payment plans aggregate Rs.0.597 (2008: Rs.0.626) million and Rs.1.466 (2008: negative Rs.0.292) million respectively.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED MARCH 31, 2009 (UN-AUDITED)

**9. DATE OF AUTHORISATION FOR ISSUE**

These interim condensed financial statements were authorized for issue on April 22, 2009 by the Board of Directors of the Company.

**10. COMPARATIVE FIGURES**

Prior period figures have been rearranged as follows for the purpose of comparison for better presentation:

From	To	March 31, 2008 -- Rs. in '000 --
Finance costs	Other operating expenses	
Exchange losses - net	Exchange losses - net	2,518

**11. GENERAL**

Figures presented in these interim condensed financial statements have been rounded off to the nearest thousand rupees.



**SYED BABAR ALI**  
Chairman



**TARIQ WAJID**  
Chief Executive

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