

sanofi-aventis Pakistan limited

**INTERIM CONDENSED
FINANCIAL STATEMENTS**
FOR THE FIRST QUARTER ENDED
31 MARCH, 2013

(UN-AUDITED)



SANOFI



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Company Information

Board of Directors

Syed Babar Ali	Chairman
Tariq Wajid	Chief Executive
Arshad Ali Gohar	
Syed Hyder Ali	
Shailesh Ayyangar	(Alternate Laila Khan)
Francois Jean Louis Briens	(Alternate Shakeel Mapara)
Jean-Marc Georges	(Alternate Syed Muhammed Ali Hasani)
Mohammad Ibadullah	
Amanullah Khan	

Company Secretary

Saad Usman

Board Audit Committee

Syed Hyder Ali	(Chairman) Non-Executive Director
Francois Jean Louis Briens	Non-Executive Director
Amanullah Khan	Executive Director
Yasser Pirmuhammad	(Secretary) Associate Director Audit & Compliance

Share Transfer Committee

Tariq Wajid	General Manager and Chief Executive
Mohammad Ibadullah	Director Finance and Administration

Management Committee

Tariq Wajid	Mohammad Ibadullah
Syed Muhammad Ali Hasani	Amanullah Khan
Shakeel Mapara	Shujauddin Shaikh
Zubair Rizvi	Masaud Ahmed
Munawar Uqaili	Aamer Waheed
Laila Khan	Masood A.Khan
Harris Mohammed Sheikh	Yasser Pirmuhammad

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Legal Advisors

Abid Hameed Puri
Bilal Law Associates
Fazle Ghani Advocates
Ghani Law Associates
Haidermota & Co.
Khan & Hafiz Associates
Saadat Yar Khan & Co

Bankers

Bank of Tokyo-Mitsubishi UFJ, Limited
Citibank, N.A.
Deutsche Bank AG
Habib Bank Limited
HSBC Bank Middle East Limited
MCB Bank Limited.
National Bank of Pakistan
Standard Chartered Bank

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. 1-A,
First Floor, I.I. Chundrigar Road,
Karachi - 74000.
Telephone Nos. +92 21 32420755
32427012
URL: www.famco.com.pk

URL

www.sanofi.com.pk
www.sanofidiabetes.com.pk



Directors' Report to the Shareholders

The Board of Directors of sanofi-aventis Pakistan limited are pleased to present the un-audited condensed interim financial statements of your company, for the first quarter ended March 31, 2013. These financial statements have been prepared in accordance with the requirements of the International Accounting Standards (IAS) 34 - "Interim Financial Reporting" and the provisions of and the directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provision of or directives issued under the Companies Ordinance, 1984 have been followed.

Financial and Operating Results

The net sales of your company during the 1st quarter ended March 31, 2013 were recorded at Rs.1,883 (2012: Rs. 1,921) million, depicting a decline of 2% over the comparative periods. This decline can be attributed to a temporary slowdown in growth of our flagship product Flagyl® (-37.5%); owing to carry over effect of trade bonuses given in November 2012. Further, the effect of Plavix® price reduction strategy continued to show positive results posting a growth of 45% during the quarter versus same period last year. In order to optimize this pricing strategy, a more aggressive volume driven strategy is planned this year. During this period, new product namely Montelukast, was launched primarily to cater to treatment of Asthma, exercise induced bronchoconstriction and seasonal allergic rhinitis.

The business also continued on its path of exploring and materializing growth opportunities, including penetration in the Afghanistan pharma market as well as launch of new products. Consequent to our geographic expansion into Afghanistan market, the export sales to Afghanistan during the period reached a level of Rs.77 (2012: Rs. Nil) million. The Company had also entered into consumer health-care business in 2011 by taking over Selsun Blue - a Sanofi group product, which achieved net sales of Rs. 26 (2012: Rs. 9.65) million during the quarter ended March 31, 2013.

Gross margin as a percentage of net sales has declined from 29.2% to 26.1% over the comparative prior period. The decrease in margins is mainly due to the depreciation of Pak Rupee, increased depreciation expense, higher fuel & power cost due to frequent power breakdown, increased repair & maintenance, security expenses and continued high inflation recording increase in all cost categories, full impact of which (i.e. above cost increases) is not yet included in the year to date cost of goods sold partly offset by various cost cutting and efficiency improvement measures taken by the Company during the period.

Distribution and marketing expenses have decreased by Rs.45.8 million in absolute terms whereas as a % of net sales these expenses have decreased from 20.0% to 18.0% over the prior comparable period. The increase is attributable to general inflation and increased spending on advertising and promotional activities necessary to invest in core business and new product.

Administrative expenses increased by Rs. 4.20 million over corresponding period last year, mainly due to general inflation. Operating expenses during the quarter have decreased significantly over corresponding period last year mainly due to significantly high amount of exchange losses last year amounting to Rs. 38.3 million, against which there is an exchange gain of Rs. 0.3 million during the current quarter. In addition, operating expenses include statutory charges (i.e. Workers Profit's Participation Fund, Workers' Welfare Fund and Central Research Fund) which are based on the profit for the quarter ended March 31, 2013.

Operating income for the period includes gain on sales of scrap and licence fee amounting to Rs.3.15 (2012: Rs. 2.61) million and Rs.2.23 (2012:Rs. 2.23) million respectively. Finance cost significantly increased by 59.8% over the prior comparable period due to higher borrowings at the beginning of the year. Profit before tax for the quarter ended has decreased by Rs.2.49 million over the same period last year because of the reasons explained above.

Barring unforeseen events, we expect the sales growth in the remaining quarters of 2013 to be in line with the industry trend. However, due to adverse impact of Pak Rupee depreciation and general perception of an upsurge in inflation levels, delayed regulatory approvals from Ministry of Health (DRA) and absence of an across-the-board price increase remains an area of concern for the Pharmaceutical Industry.

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

Tariq Wajid
Chief Executive

By order of the Board

Syed Hyder Ali
Director

Karachi: April 29, 2013.



Interim Condensed Balance Sheet

As at March 31, 2013

	Note	March 31, 2013 Rupees in `000..... (Un-audited)	December 31, 2012 (Restated) Rupees in `000..... (Audited)
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	4	1,686,943	1,628,173
Intangible asset		-	38
		<u>1,686,943</u>	<u>1,628,211</u>
Long-term loans		7,439	7,976
Long-term deposits		5,029	5,029
CURRENT ASSETS			
Stores and spares		49,340	48,102
Stock-in-trade		2,320,435	1,972,178
Trade debts		848,878	942,657
Short-term loans and advances		41,733	28,573
Trade deposits and short-term prepayments		67,800	61,652
Other receivables		46,884	36,600
Taxation - payment less provision		748,322	719,785
Cash and bank balances		22,097	4,944
		<u>4,145,489</u>	<u>3,814,491</u>
TOTAL ASSETS		<u>5,844,900</u>	<u>5,455,707</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital			
Authorized			
10,000,000 Ordinary shares of Rs. 10 each		<u>100,000</u>	<u>100,000</u>
Issued, subscribed and paid-up		96,448	96,448
Reserves			
Capital reserves		135,780	129,267
Revenue reserves		<u>1,806,132</u>	<u>1,788,442</u>
		<u>1,941,912</u>	<u>1,917,709</u>
		<u>2,038,360</u>	<u>2,014,157</u>
NON-CURRENT LIABILITIES			
Deferred taxation		143,813	155,622
CURRENT LIABILITIES			
Trade and other payables		1,687,011	1,696,305
Short term loan		200,000	-
Accrued mark-up		47,268	43,730
Running finances utilized under mark-up arrangements - Secured		1,601,712	1,418,440
Current maturity of long-term financing		125,000	125,000
Current maturity of liability against asset subject to a finance lease		1,736	2,453
		<u>3,662,727</u>	<u>3,285,928</u>
		<u>3,806,540</u>	<u>3,441,550</u>
CONTINGENCIES AND COMMITMENTS 5			
TOTAL EQUITY AND LIABILITIES		<u>5,844,900</u>	<u>5,455,707</u>

The annexed notes 1 to 10 form an integral part of these interim condensed financial statements.


Tariq Wajid
Chief Executive


Syed Hyder Ali
Director



Interim Condensed Profit and Loss Account

For the First quarter ended March 31, 2013 (Un-audited)

	March 31, 2013	March 31, 2012 (Restated)
	Rupees in `000.....	
NET SALES	1,882,880	1,920,962
Cost of sales	(1,391,417)	(1,359,579)
GORSS PROFIT	491,463	561,383
Distribution and marketing expenses	(339,162)	(384,999)
Administrative expenses	(54,328)	(50,126)
Other operating expenses	(6,483)	(49,275)
Other operating income	5,747	4,854
	(394,226)	(479,546)
OPERATING PROFIT	97,237	81,837
Finance Costs	(47,815)	(29,924)
PROFIT BEFORE TAXATION	49,422	51,913
Taxation - Current	(43,541)	(36,174)
- Deferred	11,809	(5,584)
	(31,732)	(41,758)
NET PROFIT FOR THE PERIOD	17,690	10,155
BASIC EARNINGS		
PER SHARE (Rs. per share)	1.83	1.05

The annexed notes 1 to 10 form an integral part of these interim condensed financial statements.

Tariq Wajid
Chief Executive

Syed Hyder Ali
Director

Karachi: April 29, 2013.



Interim Condensed Statement of Comprehensive Income

For the First quarter ended March 31, 2013 (Un-audited)

	March 31, 2013	March 31, 2012 (Restated)
	Rupees in `000.....	
Net profit for the period	17,690	10,155
Other comprehensive income / (loss) for the period	-	-
Total comprehensive income for the period	17,690	10,155

The annexed notes 1 to 10 form an integral part of these interim condensed financial statements.

Tariq Wajid
Chief Executive

Syed Hyder Ali
Director

Karachi: April 29, 2013.



Interim Condensed Cash Flow Statement For the First quarter ended March 31, 2013 (Un-audited)

	Note	March 31, 2013	March 31, 2012 (Restated)
.....Rupees in `000.....			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	6	(132,738)	201,630
Finance costs paid		(44,277)	(10,461)
Income tax paid		(72,078)	(92,501)
Long-term loans (net)		537	696
Retirement benefits paid		-	(5,295)
Net Cash (used in) generated from operating activities		(248,556)	94,069
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(117,066)	(26,280)
Sale proceeds from disposal of operating fixed assets		220	616
Net cash used in investing activities		(116,846)	(25,664)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term loan obtained		200,000	-
Repayment of liability against asset subject to finance lease		(717)	(624)
Dividends paid		-	(35)
Net cash generated from / (used in) financing activities		199,283	(659)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(166,119)	67,746
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE QUARTER		(1,413,496)	(912,630)
CASH AND CASH EQUIVALENTS AT END OF THE QUARTER	7	(1,579,615)	(844,884)

The annexed notes 1 to 10 form an integral part of these interim condensed financial statements.

Tariq Wajid
Chief Executive

Syed Hyder Ali
Director

Karachi: April 29, 2013.



Interim Condensed Statement Of Changes in Equity For the First quarter ended March 31, 2013 (Un-audited)

	Capital Reserves				Revenue Reserves		
	Issued, subscribed and paid-up share capital	Long term liabilities forgone	Difference of share capital under scheme of arrangement for amalgamation	Other	General reserve	Unappropri- ated profit	Total
	Rupees in '000.						
Balance as at January 1, 2012 as previously reported	96,448	5,935	18,000	78,808	1,185,538	216,606	1,601,335
Effect of change in accounting policy IAS19-Employee Benefits (revised)	-	-	-	-	-	(1,802)	(1,802)
Balance as at January 1, 2012 Restated	96,448	5,935	18,000	78,808	1,185,538	214,804	1,599,533
Employee benefit cost under IFRS 2 "Share based Payment"	-	-	-	6,357	-	-	6,357
Transfer to general reserve	-	-	-	-	100,000	(100,000)	-
Net profit for the period	-	-	-	-	-	10,155	10,155
Other comprehensive income / (loss) for the period	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	-	10,155	10,155
Balance as at March 31, 2012 Restated	96,448	5,935	18,000	85,165	1,285,538	124,959	1,616,045
Balance as at January 1, 2013 as previously reported	96,448	5,935	18,000	105,332	1,285,538	504,128	2,015,381
Effect of change in accounting policy IAS19-Employee Benefits (revised)	-	-	-	-	-	(1,224)	(1,224)
Balance as at January 1, 2013 Restated	96,448	5,935	18,000	105,332	1,285,538	502,904	2,014,157
Employee benefit cost under IFRS 2 "Share based Payment"	-	-	-	6,513	-	-	6,513
Transfer to general reserve	-	-	-	-	250,000	(250,000)	-
Net profit for the period	-	-	-	-	-	17,690	17,690
Other comprehensive income / (loss) for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	17,690	17,690
Balance as at March 31, 2013	96,448	5,935	18,000	111,845	1,535,538	270,594	2,038,360

The annexed notes 1 to 10 form an integral part of these interim condensed financial statements.

Tariq Wajid
Chief Executive

Syed Hyder Ali
Director

Karachi: April 29, 2013.



Notes to the Interim Condensed Financial Statement

For the First quarter ended March 31, 2013 (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 and consumer products.

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

2. STATEMENT OF COMPLIANCE

These interim condensed financial statements of the Company for the first quarter ended March 31, 2013 have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 - "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. These are required to be presented to the shareholders under Section 245 of the Companies Ordinance, 1984.

These interim condensed financial statements are unaudited and do not include all the information and disclosures as 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, 2012.

3. ACCOUNTING POLICIES

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of these interim condensed financial statements are the same as those applied in the preparation of the financial statements for the year ended December 31, 2012 except for the change in accounting policy in respect of application of IAS 19 – Employee Benefits (revised).

	Note	March 31, 2013 (Un-audited)	December 31, 2012 (Restated) (Audited)
		Rupees in `000.....	

4. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	4.1	1,318,963	1,371,570
Capital work-in-progress		367,980	256,603
		<u>1,686,943</u>	<u>1,628,173</u>

4.1 Operating fixed assets

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

	Additions	Cost	Disposals Accumulated Depreciation
	Rupees in `000.....		
Plant and Machinery	487	-	-
Furniture and fixtures	379	-	-
Factory and office equipment	2,375	1,012	1,007
Motor vehicles - owned	2,448	758	579
	<u>5,689</u>	<u>1,770</u>	<u>1,586</u>

5. CONTINGENCIES AND COMMITMENTS

Contingencies

5.1 Claims not acknowledged as debt amounted to Rs.6.200 (December 31, 2012: Rs.6.200) million at the end of the current period.

5.2 There is no change in the status of contingencies in respect of income tax assessments, as set out in note 20.1 (b) to the annual financial statements of the company for the year ended December 31, 2012.



Notes to the Interim Condensed Financial Statement For the First quarter ended March 31, 2013 (Un-audited)

Commitments

- 5.3 Commitments in respect of capital expenditure contracted for amounted to Rs. 169.003 (December 31, 2012: Rs. 134.368) million at the end of the first quarter.
- 5.4 Post dated cheques aggregating to Rs. 4.201 (2012: Rs. 46.047) million at the end of the current period have been given to Collector of Customs in respect of exemption of levies on import of machine accessories.

	March 31, 2013 Rupees in `000..... (Un-audited)	December 31, 2012 (Restated) Rupees in `000..... (Audited)
5.5 Outstanding letters of credit	<u>210,987</u>	<u>73,153</u>
5.6 Outstanding Bank Contracts	<u>276,479</u>	<u>264,041</u>
Note	March 31, 2013 Rupees in `000..... (Un-audited)	March 31, 2012 (Restated) Rupees in `000..... (Un-audited)

6. CASH GENERATED FROM OPERATIONS

Profit before taxation	49,422	51,913
Adjustment for non-cash changes and other items:		
Depreciation / amortization	58,150	64,142
(Gain) / Loss on disposal of operating fixed assets	(36)	255
Expenses arising from equity settled share based payment plans	6,513	6,357
Retirement benefits	9,909	6,371
Finance costs	47,815	29,924
Working capital changes 6.1	<u>(304,511)</u>	<u>42,668</u>
	<u>(132,738)</u>	<u>201,630</u>

6.1 Working Capital Chages

Decrease / (increase) in current assets:

Stores and spares	(1,238)	209
Stock-in-trade	(348,257)	(114,136)
Trade debts	93,779	80,416
Short-term loans and advances	(13,160)	(7,514)
Trade deposits and short-term prepayments	(6,148)	14,883
Other receivables - net	<u>(15,772)</u>	<u>91,177</u>
	<u>(290,796)</u>	<u>65,035</u>

Decrease in current liabilities:

Trade and other payables - net (excluding unclaimed dividend)	<u>(13,715)</u>	<u>(22,367)</u>
	<u>(304,511)</u>	<u>42,668</u>



**Notes to the Interim Condensed
Financial Statement**
For the First quarter ended March 31, 2013 (Un-audited)

	March 31, 2013	March 31, 2012 (Restated)
	Rupees in `000.....	
7. CASH AND CASH EQUIVALENTS	(Un-audited)	(Un-audited)
Cash and cash equivalents comprise of the following items:		
Cash and bank balance	22,097	3,035
Running finance utilized under mark-up arrangements	(1,601,712)	(847,919)
	<u>(1,579,615)</u>	<u>(844,884)</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. The Company in the normal course of business carries out transactions with various related parties.

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

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

	March 31, 2013					March 31, 2012				
	Group Companies	Related Parties by virtue of Directorship	Retirement benefits plans	Key management personnel	Total	Group Companies	Related Parties by virtue of Directorship	Retirement benefits plans	Key management personnel	Total
	Rupees in `000.....					Rupees in `000.....				
i) Net Sales	10,762	-	-	-	10,762	9,537	-	-	-	9,537
ii) Purchase of goods	877,192	-	-	-	877,192	656,043	-	-	-	656,043
iii) Purchase of services	-	8,098	-	-	8,098	-	5,884	-	-	5,884
iv) Recovery of services charges and other expenses	-	-	-	-	-	-	2,254	-	-	2,254
v) License fee of land received	-	-	-	-	-	-	2,229	-	-	2,229
vi) Contribution paid/(receipt)	-	-	7,805	-	7,805	-	-	6,649	-	6,649
- Provident Fund	-	-	-	-	-	-	-	34,811	-	34,811
- Gratuity Fund	-	-	-	-	-	-	-	(29,516)	-	(29,516)
- Pension Fund	-	-	-	-	-	-	-	-	-	-
vii) Remuneration of key Management personnel	-	-	-	38,422	38,422	-	-	-	38,265	38,265

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 aggregated to Rs. 0.749 (2012: Rs.0.724) million and Rs. 5.764 (2012: Rs. 5.633) million, respectively.

9. DATE OF AUTHORISATION FOR ISSUE

These interim condensed financial statements were authorized for issue on April 29, 2013 by the Board of Directors of the Company.

10. GENERAL

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


Tariq Wajid
Chief Executive


Syed Hyder Ali
Director