sanofi-aventis Pakistan limited

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE FIRST QUARTER ENDED
31 MARCH, 2015

(UN-AUDITED)



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Company Information

Board of Directors

Syed Babar Ali	Chairman
Shakeel Mapara	Acting Chief Executive
Arshad Ali Gohar	
Syed Hyder Ali	
Patrick Aghanian	(Alternate Laila Khan)
Francois Jean Louis Briens	(Alternate Shakeel Mapara)
Jean-Marc Georges	(Alternate Mohammad Ali Hasani)
Mohammad Ibadullah	
Javed Iqbal	

Company Secretary
Saad Usman

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

Auditors
Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Bankers
Bank of Tokyo-Mitsubishi UFJ, Limited
Barclays Bank PLC
Citibank, N.A
Deutsche Bank AG
Habib Bank Limited
MCB Bank Limited.
National Bank of Pakistan
Standard Chartered Bank

Legal Advisors
Bilal Law Associates
Ghani Law Associates
Haidermota & Co.

Registrars & Share Transfer Office
FAMCO Associates (Pvt.) Ltd.
8-F, Next to Hotel Faran,
Nursery, Block-6, P.E.C.H.S.
Sharah-e-Faisal, Karachi - 74000.
Tel. No: +92 21 34380101-5
Fax No: +92 21 34380106
URL: www.famco.com.pk

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

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

Contact
Tel: +92 21 35060221-35
contact.pk@sanofi.com

Directors' Report to the Shareholders

The Board of Directors of sanofi-aventis Pakistan limited is pleased to present the un-audited interim condensed financial statements of your Company, for the 1st quarter ended March 31, 2015. These financial statements have been prepared in accordance with the requirements of the International Accounting Standard (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 directives issued under the Companies Ordinance, 1984 have been followed.

The net sales of the Company for the first quarter ended March 31, 2015, amounted to Rs.2,244 million, registering a decline of 0.6% over comparative prior period.The net sales of pharmaceutical business during the quarter reached Rs.1,974 million, recording a marginal decline of 3.2% over the comparative prior period. Vaccines and CHC recorded sales of Rs.118.3 million and Rs.41.3 million, growing by 30.3% and 25.4% respectively over the comparative prior period.

The Company further increased its foot hold in the export of pharmaceutical medicines in Afghanistan market as witnessed by the growth in sales achieved during the first quarter. The Company recorded export sales of Rs.110.6 million for the quarter, registering an increase of 17.3% over comparative prior period.

Gross margin as a percentage of net sales improved to 31.6% for the quarter ended respectively from 28.5% during the comparative prior period. The marginal improvementis primarily attributable to the significant appreciation of Pak Rupee versus the EUR – and in a lesser extent against US dollar, complemented by savings in rent, rates and taxes, security cost, travelling & conveyance which was partly offset by the negative elements such as higher repair and maintenance cost and depreciation. These negative elements shall be partially mitigated through cost cutting measures which are being adopted by the Company during the year.

Distribution and marketing expenses for the quarter increased by 16.4% over the comparative prior period while the administrative expenses increased by 1.2%. The expenses increased due to higher staff costs, depreciation, travelling and conveyance, repairs & maintenance and advertising & promotional activities.

Other operating cost for the quarter increased by 45.7% over the comparative prior period due to higher statutory levies based on profits. The exchange gain for the quarter increased by Rs.95.7 million over comparative period prior year, primarily due to significant appreciation of Pak Rupee versus the EUR –and in a lesser extent against US dollar. The Company's financing cost during the quarter increased by 30.2% over the comparative period, consequent to higher borrowings to support working capital requirements.

Profit before and after taxes for the quarter ended March 31, 2015 increased by Rs.61.6 million (43.3%) and Rs.55.4 million (72.4%) respectively over the comparative prior period because of the reasons explained above.

The Company devotes utmost importance to cash flow management and regularly monitors its day to day working capital and other financing requirements. During the three months the Company spent Rs.61.2 million on account of capital expenditure.

Directors' Report to the Shareholders

The Company expects that the growth of the pharmaceutical business during the year shall be close to market growth barring major unforeseen adverse events. The Company however, is concerned about the new pricing policy issued by the Drug Regulatory Authority of Pakistan (DRAP) wherein it has been recommended amongst other points, that the Maximum Retail Price (MRP) of all drugs be frozen at the approved level of MRP as on 31st October, 2013 which would remain at this level till 30th June 2016. In addition, DRAP has proposed to reduce the prices of life-saving and other drugs to the extent of 30% equally over a period of three years (i.e. 10% per annum).

The Company is closely monitoring the legal and business implications of the case and will take all necessary measures to ensure that the appropriate representations are made to the Government in support of a pricing policy acceptable to the industry.

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

Shakeel Mapara
Acting Chief Executive

Karachi: April 28, 2015.

Condensed Interim Balance Sheet

As at March 31, 2015

	Note	March 31, 2015	December 31, 2014
		.....Rupees in `000.....	
		(Un-audited)	(Audited)
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	4	2,002,415	2,018,562
Intangible asset		190	220
		2,002,605	2,018,782
Long-term loans		7,226	7,737
Long-term deposits		4,030	4,030
CURRENT ASSETS			
Stores and spares		48,977	49,471
Stock-in-trade		4,063,661	3,758,056
Trade debts		975,136	733,717
Short-term loans and advances		65,977	49,250
Trade deposits and short-term prepayments		211,839	218,792
Other receivables		45,815	178,899
Taxation		844,252	804,733
Cash at banks		26,239	9,280
		6,281,896	5,802,198
TOTAL ASSETS		8,295,757	7,832,747
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital			
Authorized			
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		193,352	188,982
Revenue reserves		2,238,687	2,106,717
		2,432,039	2,295,699
		2,528,487	2,392,147
NON-CURRENT LIABILITIES			
Long term financing		500,000	500,000
Deferred taxation		132,908	132,276
		632,908	632,276
CURRENT LIABILITIES			
Trade and other payables		1,871,702	1,991,679
Accrued mark-up		79,779	67,778
Short term borrowings		600,000	600,000
Running finances utilized under mark-up arrangements - secured		2,582,881	2,148,867
		5,134,362	4,808,324
		5,767,270	5,440,600
CONTINGENCIES AND COMMITMENTS	5		
TOTAL EQUITY AND LIABILITIES		8,295,757	7,832,747

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

Syed Babar Ali
Chairman

Shakeel Mapara
Acting Chief Executive

Karachi: April 28, 2015.

Condensed Interim Profit and Loss Account
For the first quarter ended March 31, 2015 (Un-audited)

	March 31, 2015	March, 31 2014
	.....Rupees in `000.....	
NET SALES	2,244,276	2,256,792
Cost of sales	(1,535,517)	(1,612,545)
GROSS PROFIT	708,759	644,247
Distribution and marketing expenses	(498,542)	(428,141)
Administrative expenses	(56,961)	(56,272)
Other operating expenses	(22,070)	(15,139)
Other income	162,548	66,596
	(415,025)	(432,956)
OPERATING PROFIT	293,734	211,291
Finance costs	(89,719)	(68,889)
PROFIT BEFORE TAXATION FOR THE PERIOD	204,015	142,402
Taxation - Current	(71,413)	(41,334)
- Prior	-	(11,663)
- Deferred	(632)	(12,857)
	(72,045)	(65,854)
NET PROFIT FOR THE PERIOD	131,970	76,548
BASIC EARNINGS PER SHARE (Rupees)	13.68	7.94

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

Syed Babar Ali
Chairman

Shakeel Mapara
Acting Chief Executive

Karachi: April 28, 2015.

Condensed Interim Statement of Comprehensive Income
For the first quarter ended March 31, 2015 (Un-audited)

	March 31, 2015	March, 31 2014
	.....Rupees in `000.....	
Net profit for the period	131,970	76,548
Other comprehensive income / (loss) for the period	-	-
Total comprehensive income for the period	131,970	76,548

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

Syed Babar Ali
Chairman

Shakeel Mapara
Acting Chief Executive

Karachi: April 28, 2015.

Condensed Interim Cash Flow Statement

For the first quarter ended March 31, 2015 (Un-audited)

	Note	March 31, 2015	March 31, 2014
		Rupees in `000	
CASH FLOWS FROM OPERATING ACTIVITES			
Cash generated from operations	6	(155,262)	510,774
Finance costs paid		(77,718)	(73,797)
Income tax paid		(110,932)	(68,682)
Retirement benefits paid		(14,101)	-
Long-term loans and advances (net)		511	109
Net Cash (used in) / generated from operating activities		(357,502)	368,404
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(61,159)	(48,835)
Sale proceeds from disposal of operating fixed assets		1,623	763
Net cash used in investing activities		(59,536)	(48,072)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(17)	(2)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(417,055)	320,330
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		(2,139,587)	(1,558,937)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	7	(2,556,642)	(1,238,607)

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

Syed Babar Ali
Chairman

Shakeel Mapara
Acting Chief Executive

Karachi: April 28, 2015.

Condensed Interim Statement of Changes in Equity

For the first quarter ended Marchr 31, 2015 (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	Unapprop-riated profit	Total
	Rupees in '000						
Balance as at January 1, 2014	96,448	5,935	18,000	129,403	1,535,538	441,289	2,226,613
Employee benefits cost under IFRS - 2 "Share based payment"	-	-	-	7,378	-	-	7,378
Transfer to general reserve	-	-	-	-	200,000	(2,00,000)	-
Net profit for the period	-	-	-	-	-	76,548	76,548
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	76,548	76,548
Balance as at March 31, 2014	96,448	5,935	18,000	136,781	1,735,538	317,837	2,310,539
Balance as at January 1, 2015	96,448	5,935	18,000	165,047	1,735,538	371,179	2,392,147
Employee benefit cost under IFRS 2 - "Share based Payment"	-	-	-	4,370	-	-	4,370
Transfer to general reserve	-	-	-	-	200,000	(200,000)	-
Net profit for the period	-	-	-	-	-	131,970	131,970
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	131,970	131,970
Balance as at March 31, 2015	96,448	5,935	18,000	169,417	1,935,538	303,149	2,528,487

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

Syed Babar Ali
Chairman

Shakeel Mapara
Acting Chief Executive

Karachi: April 28, 2015.

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 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 condensed interim financial statements of the Company for the first quarter ended March 31, 2015 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 condensed interim 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, 2014.

3. ACCOUNTING POLICIES

3.1 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements for the year ended December 31, 2014.

4. PROPERTY, PLANT AND EQUIPMENT

		March 31, 2015	December 31, 2014
		.....Rupees in `000.....	
		(Un-audited)	(Audited)
Operating fixed assets	4.1	1,788,061	1,822,726
Capital work-in-progress		214,354	195,836
		2,002,415	2,018,562

4.1 Operating fixed assets

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

		Disposals	
	Additions	Cost	Accumulated Depreciation
	.....Rupees in `000.....		
Building	754	-	-
Plant and machinery	1,988	-	-
Furniture and fixtures	884	-	-
Factory and office equipment	17,281	2,844	2,844
Motor vehicles - owned	191	3,912	3,594
	21,098	6,756	6,438

5. CONTINGENCIES AND COMMITMENTS

Contingencies

5.1 Claims not acknowledged as debt amounted to Rs. 6.200 (December 31, 2014:Rs. 6.200) million at the end of the current period.

5.2 There is no change in the status of contigencies 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, 2014.

Commitments

5.3 Commitments in respect of capital expenditure contracted for amounted to Rs. 58.303 (December 31, 2014:Rs. 36.581) millon at the end of the first quarter.

5.4 Post dated cheques aggregating to Rs. 20.694 (December 31, 2014: Rs. 27.634) 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, 2015	December 31, 2014
	.....Rupees in `000.....	
	(Un-audited)	(Audited)
5.5 Outstanding letters of credit	88,719	112,817
5.6 Outstanding bank contracts	312,709	225,944

	Note	March 31, 2015	March 31, 2014
		.....Rupees in `000.....	
6. CASH GENERATED FROM OPERATIONS			
Profit before taxation		204,015	142,402
Adjustment for non-cash charges and other items:			
Depreciation / amortization		75,775	55,398
Gain on disposal of operating fixed assets		(1,305)	(713)
Fixed assets written off		1,243	-
Expenses arising from equity settled share based payment plans		4,370	7,378
Retirement benefits		14,101	12,646
Finance costs		89,719	68,889
Working capital changes	6.1	(543,180)	224,774
		(155,262)	510,774

6.1 Working capital changes

Decrease / (Increase) in current assets:		
Stores and spares	494	102
Stock-in-trade	(305,605)	(124,737)
Trade debts	(241,419)	186,610
Short-term loans and advances	(16,727)	(15,870)
Trade deposits and short-term prepayments	6,953	9,696
Other receivables - net	133,084	331,781
	(423,220)	387,582
Decrease in current liabilities:		
Trade and other payables - net (excluding unclaimed dividend)	(119,960)	(162,808)
	(543,180)	224,774

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following items:

Cash and bank balance	26,239	17,615
Running finance utilized under mark-up arrangements	(2,582,881)	(1,256,222)
	(2,556,642)	(1,238,607)

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, 2015					March 31, 2014				
	Group companies	Associated undertaking by virtue of common directorship	Retirement benefits plans	Key management personnel	Total	Group companies	Associated undertaking by virtue of common directorship	Retirement benefits plans	Key management personnel	Total
	Rupess in '000					Rupess in '000				
i) Gross Sales	2,722	-	-	-	2,722	3,520	-	-	-	3,520
ii) Purchase of goods	936,197	-	-	-	936,197	838,449	-	-	-	838,449
iii) Purchase of services	-	8,061	-	-	8,061	-	9,573	-	-	9,573
iv) Contribution paid										
- Provident fund	-	-	10,863	-	10,863	-	-	9,552	-	9,552
- Gratuity fund	-	-	8,474	-	8,474	-	-	-	-	-
- Pension fund	-	-	5,628	-	5,628	-	-	-	-	-
v) Remuneration of key management personnel	-	-	-	45,021	45,021	-	-	-	34,032	34,032

Further, the impact of benefits 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. 0.404 (March 31, 2014: Rs. 1.334) million and Rs. 3.966 (March 31, 2014: Rs. 6.044) million, respectively.

9. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue on April 28, 2015 by the Board of Directors of the Company.

10. GENERAL

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

Syed Babar Ali
Chairman

Shakeel Mapara
Acting Chief Executive

Karachi: April 28, 2015.