

sanofi-aventis Pakistan limited

**CONDENSED INTERIM
FINANCIAL STATEMENTS**
FOR THE FIRST QUARTER ENDED
31 MARCH, 2014

(UN-AUDITED)



SANOFI



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Company Information

Board of Directors

Syed Babar Ali
Tariq Wajid
Arshad Ali Gohar
Syed Hyder Ali
Dr. Pius Stephan Hornstein
Francois Jean Louis Briens
Jean-Marc Georges
Mohammad Ibadullah
Dr. Amanullah Khan

Company Secretary

Saad Usman

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Legal Advisors

Bilal Law Associates
Ghani Law Associates
Haidermota & Co.
Saadat Yar Khan & 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

Board of Directors

Chairman
Chief Executive

(Alternate Laila Khan)
(Alternate Shakeel Mapara)
(Alternate Syed Muhammad Ali Hasani)

URL

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

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

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 condensed interim financial statements of your company, for the 1st quarter ended March 31, 2014. 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 Company's net sales for the 1st quarter ended March 31, 2014, amounted to Rs.2,256 million, registering a growth of 19.86% over comparative prior period. The sales growth, despite the challenging business environment, is the result of our strategy to become "A diversified healthcare company with patient centric approach".

The Company's pharmaceutical business net sales reached Rs.2,034 million, recording an increase of 20.97% over the comparative prior period. During the period under review the Company has performed well due to good sales volume in certain product ranges namely Amaryl[®], Claforan[®], Clexane[®], Daonil[®], Eloxatine[®], Flagyl[®], Phenergan[®] and Taxotere[®].

The vaccines business net sales reached Rs.95 million recording a decline of 3.59% over the comparative prior period. The decline resulted due to supply constraints of tOPV which was mitigated by the supply of Trimovax (due to measles out break in the country), Imovax and Typhim.

The consumer business net sales reached Rs.33 million recording a growth of 26.65% over the comparative prior period. The growth was backed by higher focus on distribution, supported by television commercials, which provided the brand with a broader market encapsulating both pharmacies and general stores, consequently, increasing the brand's presence and availability across the country.

The Company further increased its foot hold in the export of pharmaceutical medicines in Afghanistan market as witnessed by the stellar growth in sales achieved during the first quarter. The Company recorded export sales of Rs.94 million for the quarter, registering an increase of 23.2% over comparative prior period.

Gross margin as a percentage of net sales improved to 28.5% for the quarter from 26.1% during the comparative prior period. The improvement is primarily attributable to the significant appreciation of Pak Rupee, vs. the US Dollar and the Euro, which was partly offset by the negative elements such as increase in sales tax on goods and levy of taxes on services, higher fuel & power costs due to excessive power failures as well as continued high inflation recording increase in all cost categories. These negative elements were mitigated through cost cutting measures which are to be adopted in the upcoming period.

Distribution and marketing expenses have increased by 26.23% for the quarter over the comparative prior period on account of general inflation and higher spending on advertising & promotional activities, travelling & conveyance expenses and staff cost. These cost increase were in some measure offset by the decrease in depreciation, publication & subscriptions and commission expenses.

Administrative expenses have increased by 3.58% for the quarter over the corresponding period last year. This was due to an increase in staff costs, higher costs of repairs & maintenance, increase in costs for security, travelling & conveyance, as well as general inflation.

Other operating cost for the period mainly includes statutory charges (i.e. Workers' Profits Participation Fund, Workers' Welfare Fund and Central Research Fund), which are all related to profit.

The exchange gain during the quarter increased by Rs.60.9 million over comparative period prior year, primarily due to significant improvement in PKR parity with the USD and the Euro.

The Company's financing cost during the quarter has increased by 44.07% over comparative period, consequent to higher borrowing levels to support working capital requirements.

Profit before and after taxes for the quarter increased by Rs.92.98 million and Rs.58.85 million 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.48.84 million on account of capital expenditure.

Nonetheless barring unforeseen events, we expect the sales growth of the pharmaceutical business in 2014 to be in line with the industry trend.

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



Condensed Interim Balance Sheet

As at March 31, 2014

	Note	March 31, 2014Rupees in '000..... (Un-audited)	December 31, 2013 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	4	1,838,526	1,845,108
Intangible asset		312	343
		<u>1,838,838</u>	<u>1,845,451</u>
Long-term loans		7,277	7,386
Long-term deposits		4,030	4,030
CURRENT ASSETS			
Stores and spares		49,367	49,469
Stock-in-trade		2,575,783	2,451,046
Trade debts		722,785	905,875
Short-term loans and advances		56,003	40,133
Trade deposits and short-term prepayments		110,102	119,798
Other receivables		23,008	364,285
Taxation		739,242	723,557
Cash at Banks		17,615	21,925
		<u>4,293,905</u>	<u>4,676,088</u>
TOTAL ASSETS		<u>6,144,050</u>	<u>6,532,955</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		<u>96,448</u>	<u>96,448</u>
Reserves			
Capital reserves		160,716	153,338
Revenue reserves		2,053,375	1,976,827
		<u>2,214,091</u>	<u>2,130,165</u>
		<u>2,310,539</u>	<u>2,226,613</u>
NON-CURRENT LIABILITY			
Long term financing		500,000	500,000
Deferred taxation		149,358	136,501
		<u>649,358</u>	<u>636,501</u>
CURRENT LIABILITIES			
Trade and other payables		1,468,544	1,624,684
Accrued mark-up		59,387	64,295
Short term loan		400,000	400,000
Running finances utilized under mark-up arrangements - Secured		1,256,222	1,580,862
		<u>3,184,153</u>	<u>3,669,841</u>
		<u>3,833,511</u>	<u>4,306,342</u>
CONTINGENCIES AND COMMITMENTS 5			
TOTAL EQUITY AND LIABILITIES		<u>6,144,050</u>	<u>6,532,955</u>

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

Syed Babar Ali
Chairman

Tariq Wajid
Chief Executive



Condensed Interim Profit and Loss Account

For the first quarter ended March 31, 2014 (Un-audited)

	<u>March 31, 2014</u>	<u>March 31, 2013</u>
Rupees in `000.....	
NET SALES	2,256,792	1,882,880
COST OF SALES	<u>(1,612,545)</u>	<u>(1,391,417)</u>
GORSS PROFIT	644,247	491,463
Distribution and marketing expenses	<u>(428,141)</u>	<u>(339,162)</u>
Administrative expenses	(56,272)	(54,328)
Other operating expenses	(15,139)	(6,483)
Other income	66,596	5,747
	<u>(432,956)</u>	<u>(394,226)</u>
OPERATING PROFIT	211,291	97,237
FINANCE COST	<u>(68,889)</u>	<u>(47,815)</u>
PROFIT BEFORE TAXATION	142,402	49,422
Taxation - Current	<u>(41,334)</u>	<u>(43,541)</u>
- Prior	(11,663)	-
- Deferred	(12,857)	11,809
	<u>(65,854)</u>	<u>(31,732)</u>
NET PROFIT FOR THE PERIOD	<u>76,548</u>	<u>17,690</u>
BASIC EARNINGS		
PER SHARE (Rs. per share)	<u>7.94</u>	<u>1.83</u>

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

Syed Babar Ali
Chairman

Karachi: April 23, 2014.

Tariq Wajid
Chief Executive



Condensed Interim Statement of

Comprehensive Income

For the first quarter ended March 31, 2014 (Un-audited)

	<u>March 31, 2014</u>	<u>March 31, 2013</u>
Rupees in `000.....	
Net profit for the period	76,548	17,690
Other comprehensive income / (loss) for the period	-	-
Total comprehensive income for the period	<u>76,548</u>	<u>17,690</u>

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

Syed Babar Ali
Chairman

Karachi: April 23, 2014.

Tariq Wajid
Chief Executive



Condensed Interim Cash Flow Statement

For the first quarter ended March 31, 2014 (Un-audited)

	Note	March 31, 2014	March 31, 2013
	Rupees in `000.....	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	6	510,774	(132,738)
Finance costs paid		(73,797)	(44,277)
Income tax paid		(68,682)	(72,078)
Long-term loans and advances (net)		109	537
Net Cash generated / (used in) from operating activities		<u>368,404</u>	<u>(248,556)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(48,835)	(117,066)
Sale proceeds from disposal of operating fixed assets		763	220
Net cash used in investing activities		<u>(48,072)</u>	<u>(116,846)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of liability against asset subject to a finance lease		-	(717)
Short-term loan obtained		-	200,000
Dividends paid		(2)	-
Net cash (used in) / inflow from financing activities		<u>(2)</u>	<u>199,283</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>320,330</u>	<u>(166,119)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		(1,558,937)	(1,413,496)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	7	<u>(1,238,607)</u>	<u>(1,579,615)</u>

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

Syed Babar Ali
Chairman

Tariq Wajid
Chief Executive



**Condensed Interim Statement of
Changes in Equity**
For the first quarter ended March 31, 2014 (Un-audited)

	Capital Reserves				Revenue Reserves		Total
	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	
	Rupees in '000.						
Balance as at January 1, 2013	96,448	5,935	18,000	105,332	1,285,538	502,904	2,014,157
Employee benefits 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 for the period	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	17,690	17,690
Balance as at March 31, 2013	<u>96,448</u>	<u>5,935</u>	<u>18,000</u>	<u>111,845</u>	<u>1,535,538</u>	<u>270,594</u>	<u>2,038,360</u>
Balance as at January 1, 2014	96,448	5,935	18,000	129,403	1,535,538	441,289	2,226,613
Employee benefit cost under IFRS 2 "Share based Payment"	-	-	-	7,378	-	-	7,378
Transfer to general reserve	-	-	-	-	200,000	(200,000)	-
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	<u>96,448</u>	<u>5,935</u>	<u>18,000</u>	<u>136,781</u>	<u>1,735,538</u>	<u>317,837</u>	<u>2,310,539</u>

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

Syed Babar Ali
Chairman

Tariq Wajid
Chief Executive



**Notes to the Condensed Interim
Financial Statements**
For the first quarter ended March 31, 2014 (Un-audited)

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, 2014 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, 2013.

3. ACCOUNTING POLICIES

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, 2013.

	March 31, 2014	December 31, 2013
Rupees in `000.....	
	(Un-audited)	(Audited)

4. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	4.1	1,455,825	1,483,551
Capital work-in-progress		382,701	361,557
		<u>1,838,526</u>	<u>1,845,108</u>

4.1 Operating fixed assets

Following were the additions, disposals and write-off of operating fixed assets during the current period:

	Additions	Disposal	
		Cost	Accumulated Depreciation
Rupees in `000.....		
Building	268	-	-
Plant and machinery	3,417	8,212	8,212
Furniture and fixtures	903	-	-
Factory and office equipment	17,442	290	287
Motor vehicles - owned	5,662	1,428	1,380
	<u>27,692</u>	<u>9,930</u>	<u>9,879</u>

5. CONTINGENCIES AND COMMITMENTS

Contingencies

- 5.1 Claims not acknowledge as debt amounted to Rs. 6.200 (December 31, 2013: 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, 2013.



**Notes to the Condensed Interim
Financial Statements**
For the first quarter ended March 31, 2014 (Un-audited)

Commitments

- 5.3 Commitments in respect of capital expenditure contracted for amounted to Rs. 197.388 (December 31, 2013: Rs. 80.230) million at the end of the first quarter.
- 5.4 Post dated cheques aggregating to Rs. 42.059 (December 31, 2013: Rs. 20.613) 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, 2014	December 31, 2013
Rupees in `000.....	
	(Un-audited)	(Audited)
5.5 Outstanding Letters of credit	<u>201,979</u>	<u>53,425</u>
5.6 Outstanding bank contracts	<u>267,888</u>	<u>197,307</u>
	March 31, 2014	March 31, 2013
Rupees in `000.....	
	(Un-audited)	(Audited)
6. CASH GENERATED FROM OPERATIONS		
Profit before taxation	142,402	49,422
Adjustment for non-cash charges and other items:		
Depreciation / amortization	55,398	58,150
Gain on disposal of operating fixed assets	(713)	(36)
Expenses arising from equity settled share based payment plans	7,378	6,513
Retirement benefits	12,646	9,909
Finance costs	68,889	47,815
Working capital changes	6.1 224,774	(304,511)
	<u>510,774</u>	<u>(132,738)</u>
6.1 Working capital changes		
Decrease / (increase) in current assets:		
Stores and spares	102	(1,238)
Stock-in-trade	(124,737)	(348,257)
Trade debts	186,610	93,779
Short-term loans and advances	(15,870)	(13,160)
Trade deposits and short-term prepayments	9,696	(6,148)
Other receivables - net	331,781	(15,772)
	<u>387,582</u>	<u>(290,796)</u>
Decrease in current liabilities:		
Trade and other payables - net (excluding unclaimed dividend)	(162,808)	(13,715)
	<u>224,774</u>	<u>(304,511)</u>
7. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents comprise of the following items:		
Cash and bank balance	17,615	22,097
Running finance utilized under mark-up arrangements	(1,256,222)	(1,601,712)
	<u>(1,238,607)</u>	<u>(1,579,615)</u>



**Notes to the Condensed Interim
Financial Statements**
For the first quarter ended March 31, 2014 (Un-audited)

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, 2014			March 31, 2013		
	Group companies	Associated undertaking by virtue of common Directorship	Retire ment benefits plans Total	Group companies	Associated undertaking by virtue of common Directorship	Retire ment benefits plans Total
.....Rupees in '000.....						
i) Gross Sales	3,520	-	3,520	10,762	-	10,762
ii) Purchase of goods	838,449	-	838,449	877,192	-	877,192
iii) Purchase of services	-	9,573	9,573	-	8,098	8,098
iv) Contribution paid - provident fund	-	-	9,552	-	-	7,805
v) Remuneration of key - management personnel	-	-	34,032	-	-	38,422

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. 1.334 (March 31, 2013: Rs. 0.749) million and Rs. 6.044 (March 31, 2013: Rs. 5.764) million, respectively.

9. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorized for issue on April 23, 2014 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

Tariq Wajid
Chief Executive