

sanofi-aventis Pakistan limited

**CONDENSED INTERIM  
FINANCIAL STATEMENTS**  
FOR THE FIRST QUARTER ENDED  
31 MARCH, 2015

(UN-AUDITED)



**SANOFI**



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## Company Information

### Board of Directors

Syed Babar Ali  
Shakeel Mapara  
Arshad Ali Gohar  
Syed Hyder Ali  
Patrick Aghanian  
Francois Jean Louis Briens  
Jean-Marc Georges  
Mohammad Ibadullah  
Javed Iqbal

Chairman  
Acting Chief Executive

(Alternate Laila Khan)  
(Alternate Shakeel Mapara)  
(Alternate Mohammad Ali Hasani)

### Company Secretary

Saad Usman

### URL

[www.sanofi.com.pk](http://www.sanofi.com.pk)  
[www.sanofidiabetes.com.pk](http://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](http://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](mailto: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 improvement is 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 .....Rupees in '000..... (Un-audited)	December 31, 2014 (Audited)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
<b>Fixed assets</b>			
Property, plant and equipment	4	2,002,415	2,018,562
Intangible asset		190	220
		<u>2,002,605</u>	<u>2,018,782</u>
Long-term loans		7,226	7,737
Long-term deposits		4,030	4,030
<b>CURRENT ASSETS</b>			
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
		<u>6,281,896</u>	<u>5,802,198</u>
<b>TOTAL ASSETS</b>		<u><b>8,295,757</b></u>	<u><b>7,832,747</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Share capital</b>			
<b>Authorized</b>			
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
<b>Reserves</b>			
Capital reserves		193,352	188,982
Revenue reserves		2,238,687	2,106,717
		<u>2,432,039</u>	<u>2,295,699</u>
		<u>2,528,487</u>	<u>2,392,147</u>
<b>NON-CURRENT LIABILITIES</b>			
Long term financing		500,000	500,000
Deferred taxation		132,908	132,276
		632,908	632,276
<b>CURRENT LIABILITIES</b>			
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
		<u>5,134,362</u>	<u>4,808,324</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	5	5,767,270	5,440,600
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>8,295,757</b></u>	<u><b>7,832,747</b></u>

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

Syed Babar Ali  
Chairman

Shakeel Mapara  
Acting Chief Executive



## Condensed Interim Profit and Loss Account

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

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

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)

	<u>March 31, 2015</u>	<u>March, 31 2014</u>
	.....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	<u>131,970</u>	<u>76,548</u>

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.....	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
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		<u>(357,502)</u>	<u>368,404</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(61,159)	(48,835)
Sale proceeds from disposal of operating fixed assets		1,623	763
Net cash used in investing activities		<u>(59,536)</u>	<u>(48,072)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid		(17)	(2)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		<u>(417,055)</u>	<u>320,330</u>
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	<u>(2,556,642)</u>	<u>(1,238,607)</u>

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

Syed Babar Ali  
Chairman

Shakeel Mapara  
Acting Chief Executive





**Condensed Interim Statement of  
Changes in Equity**  
For the first quarter ended March 31, 2015 (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, 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	<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>
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	<u>96,448</u>	<u>5,935</u>	<u>18,000</u>	<u>169,417</u>	<u>1,935,538</u>	<u>303,149</u>	<u>2,528,487</u>

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

Syed Babar Ali  
Chairman

Karachi: April 28, 2015.

Shakeel Mapara  
Acting Chief Executive



**Notes to the Condensed Interim  
Financial Statements**  
For the first quarter ended March 31, 2015 (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, 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.

	March 31, 2015	December 31, 2014
	.....Rupees in `000.....	
	(Un-audited)	(Audited)

**4. PROPERTY, PLANT AND EQUIPMENT**

Operating fixed assets	4.1	1,788,061	1,822,726
Capital work-in-progress		214,354	195,836
		<u>2,002,415</u>	<u>2,018,562</u>

**4.1 Operating fixed assets**

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

	Additions	Disposals	
		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
	<u>21,098</u>	<u>6,756</u>	<u>6,438</u>

**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 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, 2014.



**Notes to the Condensed Interim  
Financial Statements**  
For the first quarter ended March 31, 2015 (Un-audited)

**Commitments**

- 5.3 Commitments in respect of capital expenditure contracted for amounted to Rs. 58.303 (December 31, 2014:Rs. 36.581) million 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	<u>88,719</u>	<u>112,817</u>
5.6 Outstanding bank contracts	<u>312,709</u>	<u>225,944</u>

	March 31, 2015	March 31, 2014
	.....Rupees in `000.....	
	Note	
<b>6. CASH GENERATED FROM OPERATIONS</b>		
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
	<u>(155,262)</u>	<u>510,774</u>

**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
	<u>(423,220)</u>	<u>387,582</u>

**Decrease in current liabilities:**

Trade and other payables - net (excluding unclaimed dividend)	<u>(119,960)</u>	<u>(162,808)</u>
	<u>(543,180)</u>	<u>224,774</u>

**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	<u>(2,582,881)</u>	<u>(1,256,222)</u>
	<u>(2,556,642)</u>	<u>(1,238,607)</u>



Notes to the Condensed Interim  
Financial Statements  
For the first quarter ended March 31, 2015 (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, 2015				March 31, 2014			
	Group of companies	Associated undertaking by virtue of common directorship	Retirement benefits plans	Key management personnel Total	Group of companies	Associated undertaking by virtue of common directorship	Retirement benefits plans	Key management personnel Total
	Rupees in '000				Rupees 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	-	-	10,863	10,863	-	-	9,552	9,552
- Provident fund	-	-	8,474	8,474	-	-	-	-
- Gratuity fund	-	-	5,628	5,628	-	-	-	-
- Pension fund	-	-	-	-	-	-	-	-
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