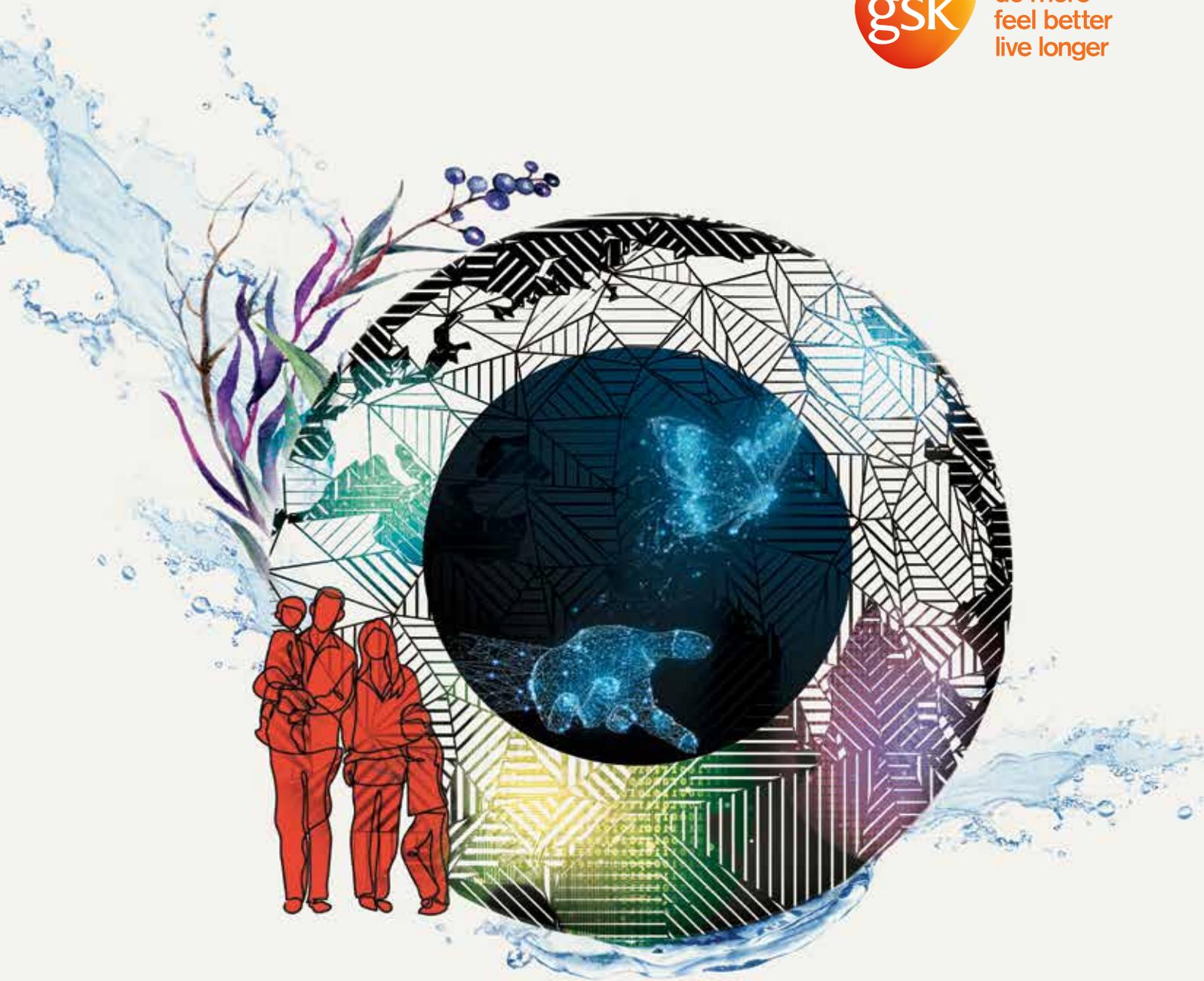




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GlaxoSmithKline Pakistan Limited
Half Year Report 2019

Corporate Information

as at June 30, 2019

Board of Directors

***Mr. Andrew Aristidou**
Chairman

Mr. M. Azizul Huq
Chief Executive Officer

Mr. Abdul Samad
Chief Financial Officer

Ms. Maheen Rahman
Independent Director

Mr. Mehmood Mandviwalla
Non-Executive Director

Mr. Sohail Ahmed
Non-Executive Director

Mr. Mark Dawson
Non-Executive Director

Audit Committee

Ms. Maheen Rahman
Chairperson

***Mr. Andrew Aristidou**
Member

Mr. Mark Dawson
Member

Mr. Mehmood Mandviwalla
Member

Human Resource & Remuneration Committee

Ms. Maheen Rahman
Chairperson

*** Mr. Andrew Aristidou**
Member

Mr. Mehmood Mandviwalla
Member

Mr. M. Azizul Huq
Member

Management Committee

Mr. M. Azizul Huq
Chief Executive Officer

Mr. Abdul Samad
Chief Financial Officer

Syed Azeem Abbas Naqvi
Cluster Legal Director -
Pakistan & Iran

Dr. Tariq Farooq
Business Unit Director 1 -
Classic and Established Products,
Vaccines and Dermatology

Khurram Amjad
Director Commercial
Excellence & CTC

Dr. Gohar Nayab Khan
Director Regulatory Affairs

Mr. Abdul Haseeb Pirzada
Director Corporate Affairs and
Administration

Mr. Muhammad Imran Amin
Country Compliance Officer

Dr. Yousuf Hasan Khan
Director Medical

Syed Nabigh Raza Alam
Tech Head

Mr. Obaid Siddiqui
Head of Procurement

Ms. Tania Zahid
HR Cluster Head - Pakistan and Iran

Ms. Samreen Hashmi Kidwai
Business Unit Director 2 -
Classic and Established

Company Secretary

Syed Azeem Abbas Naqvi

Chief Financial Officer

Mr. Abdul Samad

Chief Internal Auditor

Syed Ahsan Ejaz

Bankers

Citibank NA
Deutsche Bank A.G.
Habib Bank Limited
Meezan Bank Limited
Standard Chartered Bank
(Pakistan) Ltd

Auditors

Deloitte Yousuf Adil & Co.
Chartered Accountants

Legal Advisors

Hashmi & Hashmi
Faisal, Mahmood Ghani and Co
Legal Consultancy Inc.

Registered Office

35 - Dockyard Road, West Wharf,
Karachi - 74000.
Tel: 92-21-111-475-725
(111-GSK-PAK)
Fax: 92-21-32314898, 32311122
Website: www.pk.gsk.com

*Mr. Andrew Aristidou - Resigned w.e.f. 28 August 2019



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-  Research and Development

Directors' Review

On behalf of the Board of Directors, we are pleased to present the un-audited financial information of your Company for the Half year ended June 30, 2019. This financial information is submitted in accordance with Section 227 of the Companies Act, 2017.

Composition of the Board:

- The total number of Directors are 7 as per the following:
 - Male: 6
 - Female: 1
- The composition of the Board is as follows:

Category	Name
Independent Director	▪ Maheen Rahman
Executive Directors	▪ M. Azizul Huq ▪ Abdul Samad
Non-Executive Directors	▪ Mehmood Mandviwalla ▪ Andrew Aristidou ▪ Mark Dawson ▪ Sohail Ahmed

- The Board has formed committees comprising of members given below:
 - Audit Committee
 - Ms. Maheen Rahman - Chairperson
 - Mr. Mark Dawson
 - Mr. Andrew Aristidou
 - Mr. Mehmood Mandviwalla
 - Syed Ahsan Ejaz - Secretary
 - HR and Remuneration Committee
 - Ms. Maheen Rahman - Chairperson
 - Mr. Andrew Aristidou
 - Mr. Mehmood Mandviwalla
 - Mr. M Azizul Huq
 - Ms. Tania Zahid - Secretary
 - Risk Management Committee
 - RMCB – consisting of Management Team

Review of Operating Results:

The Company achieved net sales of Rs.17.7 billion during this period amidst a volatile and challenging economic environment.

The total Net sales also comprised intercompany sales of Rs. 2.4 billion to GlaxoSmithKline Consumer Healthcare Pakistan Limited on account of products manufactured by the Company, pending transfer of market authorization. The pharmaceutical business reflected a growth of 1.3% compared to same period last year. Although trade sales growth during the period was 5% due to economic slow-down, the overall sales growth was diluted due to lower tender sales.

Gross profit for the half year under review was at 20.5%, a decline of 5.5%. Our margins also remained under pressure due to continuing devaluation of the Rupee, rising utilities costs and higher inflation. During this period, some industry-wide price increases were given, which however were insufficient to cover the rising costs. The Company is continuously focusing to drive cost efficiencies in our manufacturing operations and by optimizing spend.

Selling, marketing and distribution expenses were recorded at Rs.1.7 billion, expenses under this head remained well controlled. Administrative expenses were recorded at Rs.0.6 billion; an increase of 8% which mainly reflects general inflation.

Other income totaled Rs. 638 million, an increase of Rs. 406 million from last year, mainly comprising of promotional allowance. Financial charges in this period totaled Rs. 303 million. The increase under this head was mainly due to exchange loss on account of further devaluation over this period as compared to last year and running finance charges booked over this time.

The running finance facility was required as the Company increased its inventory levels to cover the planned plant shut down period for SAP implementation at the manufacturing sites.

Overall, your Company posted an after-tax net profit of Rs. 875 million, a decline of 33% over the corresponding period last year mainly impacted by the slow business environment, Rupee devaluation and rising inflation.

Capital expenditure of Rs. 575 million was incurred during the current period (June 30, 2018: Rs. 464 million). During this period, the Company invested on plant up-gradation, capacity enhancement initiatives and ongoing consolidation of operations.

Outlook and Challenges:

The global Company has high expectations from GSK Pakistan as one of the key markets within the Emerging Markets region. The management of the Company is fully committed to deliver to that expectations. However, the current economic scenario and the resulting business uncertainty poses a major challenge in the delivery.

Various agencies and international analysts forecasts a further slow down of the economy during the remaining part of the year as a result of the macroeconomic interventions that the country is going through. During the remaining part of the year, the full impact of devaluation will pose further challenges to the cost of doing business. Also, any further devaluation will greatly aggravate the situation.

Although the new Drug Pricing Policy notified in 2018 has provisions for pricing reviews to meet such exceptional situations such as extraordinary devaluation, there seems to be very little appetite from the regulators to provide the necessary relief. While we understand the challenge on the buying power of the general population, there is a need to strike a balance with affordability and emerging risk to business sustainability.

Remuneration Policy of GSK Pakistan Limited for Non-Executive Board Directors:

The Non-Executive Board Directors of GlaxoSmithKline Pakistan Limited are entitled to a remuneration approved by the HR and Remunerations Committee, based on market benchmark of the Pharma Industry and other similar style of business.

Acknowledgment:

On behalf of the Board I would like to place on record our appreciation for great commitment and passion demonstrated by the staff for the achievement of Company's objectives in this period.

By order of the Board



M. Azizul Huq
Chief Executive Officer

Karachi
August 28, 2019



Abdul Samad
Director

پیش منظر اور چیلنجز

اگر ہرتی ہوئی مارکیٹس کے خطے میں GSK پاکستان اہم مارکیٹس میں سے ایک ہے۔ یہی وجہ ہے کہ عالمی کمپنی کو اس سے بلند توقعات وابستہ ہیں۔ کمپنی کی مینجمنٹ ان توقعات پر پورا اترنے کے لیے مکمل طور پر کوشاں ہے۔ تاہم، موجودہ معاشی صورتحال اور اس کے نتیجے میں غیر یقینی کاروبار، منزل کے حصول کی راہ میں ایک بڑا چیلنج ہیں۔

مختلف ایجنسیز اور بین الاقوامی تجزیہ کار باقی ماندہ سال کے دوران بھی معاشی ترقی میں مزید سستی رومی کی پیش گوئی کرتے ہیں جس کی وجہ وہ کئی معاشی مدخلتیں ہیں جن سے ملک اس وقت گزر رہا ہے۔ باقی ماندہ سال کے دوران، روپے کی قدر میں کمی کے مکمل اثرات کاروباری لاگتوں کے لیے مزید چیلنجز کا باعث بنیں گے۔ اس کے علاوہ، روپے کی قدر میں ہونے والی مزید کمی اس صورتحال کو مزید بدتر بنا دے گی۔

اگرچہ 2018 میں مرتب ہونے والی ادویاء کے نرخنامے کی پالیسی میں بعض غیر معمولی صورتحال جیسے کہ روپے کی قدر میں غیر معمولی کمی سے ہم آہنگی کے لیے قیمتوں کے جائزے کی شقیں شامل ہیں۔ تاہم، ضابطہ کاروں کی جانب سے ضروری سہولت و مراعات کی فراہمی میں دلچسپی کم ہی نظر آتی ہے۔ چونکہ ہم عوام الناس کی قوت خرید کے حوالے سے چیلنج کا ادراک رکھتے ہیں، لہذا قوت خرید اور کاروباری استحکام کے لیے ابھرتے ہوئے خطرات کے درمیان توازن قائم رکھنے کی ضرورت ہے۔

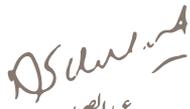
نان ایگزیکٹو بورڈ ڈائریکٹرز کے لیے GSK پاکستان لمیٹڈ کی مشاہرے کی پالیسی

گلکسو اسمتھ کلائن پاکستان لمیٹڈ کے نان ایگزیکٹو بورڈ ڈائریکٹرز، فارمانڈسٹری اور دیگر اسی انداز کے کاروبار کے بازاری معیار کی بنیاد پر، ہیومن ریورسز اور مشاہرہ کمیٹی کی جانب سے منظور کردہ مشاہرے کا استحقاق رکھتے ہیں۔

ستائشی کلمات:

میں، بورڈ کی طرف سے، اس میعاد کے دوران کمپنی کے اہداف کی تکمیل پر اسٹاف کی انتہائی پُر خلوص کاوشوں اور جذبے کو بھرپور خراج تحسین پیش کرتا ہوں۔

بحکم بورڈ


عبدالصمد
ڈائریکٹر


ایم عزیز الحق
چیف ایگزیکٹو آفیسر

کراچی

28 اگست، 2019

کاروباری عملی نتائج کا جائزہ

کمپنی نے انتہائی غیر مستحکم اور مسائل کی شکار معاشی فضاء کی حامل اس میعاد کے دوران 17.7 بلین روپے کی خالص سیلز کا ہدف حاصل کیا۔ مجموعی خالص سیلز میں گلیکسو اسمتھ کلائن کنزیومر ہیلتھ کیئر پاکستان لمیٹڈ کو کی گئیں 2.4 بلین روپے کی اندرون کمپنی، سیلز بھی شامل ہیں جس کی وجہ کمپنی کی جانب سے تخلیق کردہ مصنوعات، بازاری مختار نامے کی زیر التواء منتقلی ہے۔ ادویہ سازی کے کاروبار میں گزشتہ سال کے مقابلے میں 1.3 فیصد کی ترقی دیکھنے میں آئی۔ اگرچہ معاشی سست روی کے باعث تجارتی سیلز میں اضافہ 5 فیصد رہا، تاہم کم تر ٹیڈر سیلز کے باعث مجموعی سیلز میں اضافہ غیر اہم ہو گیا۔

زیر جائزہ ششماہی کے دوران خام منافع 20.5 فیصد رہا، گویا اس میں 5.5 فیصد کمی ہوئی۔ روپے کی قدر میں مسلسل کمی، افادہ عام کی سہولیات کی بڑھتی ہوئی لاگتوں اور بلند تر افراط زر کے باعث ہمارے منافع جات (مارجنز) بھی دباؤ میں رہے۔ اس میعاد کے دوران، صنعتی شعبے میں قیمتوں میں اضافہ کیا گیا، تاہم یہ اضافہ بڑھتی ہوئی لاگتوں کو پورا کرنے سے قاصر رہا۔ کمپنی اپنے مینوفیکچرنگ کے معاملات میں اور اس کے ساتھ ساتھ خرچ کے بہتر استفادے کے ذریعے کم لاگت میں، بہترین تجارتی عمل پر توجہ مرکوز کیے ہوئے ہے۔

فروخت، مارکیٹنگ اور تقسیم کے اخراجات 1.7 بلین روپے ریکارڈ کیے گئے، اس شعبے کے تحت ہونے والے اخراجات پوری طرح قابو میں رہے۔ انتظامی اخراجات 0.6 بلین روپے ریکارڈ کیے گئے، یعنی ان میں 8 فیصد کا اضافہ ہوا جو بنیادی طور پر عمومی افراط زر کو ظاہر کرتا ہے۔

دیگر آمدنی گزشتہ سال کے مقابلے میں 406 ملین روپے کے اضافے کے ساتھ مجموعی طور پر 638 ملین روپے رہی، جس میں بنیادی طور پر تشہیری الاؤنس شامل تھا۔ اس میعاد کے دوران مالیاتی چارجز 303 ملین روپے رہے۔ اس میں اضافے کی اہم وجہ گزشتہ سال کے مقابلے میں اس میعاد کے دوران روپے کی مزید تخفیف قدر کے باعث ہونے والا مبادلاتی نقصان اور اس مرتبہ تک کیے جانے والے رواں مالیاتی چارجز تھے۔

رواں مالیاتی سہولت اس لیے درکار تھی کہ کمپنی نے مینوفیکچرنگ سائنس پر SAP کے نفاذ کے لیے اپنے پلانٹ کی طے شدہ بندش کے دورانیے کو پورا کرنے کے لیے اپنے انویسٹری لیولز میں اضافہ کیا تھا۔

مجموعی طور پر، آپ کی کمپنی نے 875 ملین روپے کا بعد از ٹیکس منافع حاصل کیا، یعنی اس میں گزشتہ سال کی اسی مدت کے مقابلے میں 33 فیصد کمی واقع ہوئی، اس کی بنیادی وجہ سست رفتار کاروباری فضاء، روپے کی قدر میں کمی اور افراط زر میں اضافہ تھا۔

حالیہ میعاد کے دوران مجھدا اثاثوں پر ہونے والے اخراجات سے 575 ملین روپے رہے (30 جون 2018: 464 ملین روپے)۔ اس میعاد کے دوران، کمپنی نے پلانٹ کی اپ گریڈیشن، گنجائش میں اضافے کے اقدامات اور کاروباری سرگرمیوں کے مسلسل استحکام پر سرمایہ کاری کی۔

ڈائریکٹرز کا جائزہ

ہم، بورڈ آف ڈائریکٹرز کی طرف سے، آپ کی کمپنی کی غیر آڈٹ شدہ مالیاتی تفصیلات برائے اختتام مدت 30 جون، 2019 پیش کرتے ہوئے انتہائی مسرت محسوس کر رہے ہیں۔ یہ مالیاتی تفصیلات کمپنیز ایکٹ، 2017 کے سیکشن 227 کے مطابق جمع کرائی گئی ہیں۔

بورڈ کی تشکیل ساخت:

1- ڈائریکٹرز کی مجموعی تعداد درج ذیل کے مطابق 7 ہے:

(a) مرد : 6

(b) خواتین : 1

2- بورڈ کی تشکیل ساخت ذیل میں دی گئی ہے:

کیٹگری نام

خود مختار ڈائریکٹر ماہین رحمان

ایگزیکٹو ڈائریکٹرز ایم عزیز الحق

عبدالصمد

نان ایگزیکٹو ڈائریکٹرز محمود مانڈوی والا

اینڈرپو ایرسٹیڈو

مارک ڈاسن

سہیل احمد

بورڈ نے درج ذیل ارکان پر مشتمل کمیٹیاں تشکیل دی ہیں:

(a) آڈٹ کمیٹی

i- محترمہ ماہین رحمان - چیئر پرسن

ii- محترم مارک ڈاسن

iii- محترم اینڈرپو ایرسٹیڈو

iv- محترم محمود مانڈوی والا

v- محترم سید احسن اعجاز - سیکریٹری

(b) ہیومن ریسورس اور مشاہرہ کمیٹی

i- محترمہ ماہین رحمان - چیئر پرسن

ii- محترم اینڈرپو ایرسٹیڈو

iii- محترم محمود مانڈوی والا

iv- محترم ایم عزیز الحق

v- محترمہ تاجیہ زاہد - سیکریٹری

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF GLAXOSMITHKLINE PAKISTAN LIMITED

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of GlaxoSmithKline Pakistan Limited as at June 30, 2019 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the half year then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Other Matter

The figures for the quarters ended June 30, 2019 and 2018 in the condensed interim profit or loss and other comprehensive income have not been reviewed and we do not express a conclusion on them as we are required to review only the cumulative figures for the half year ended June 30, 2019.

The engagement partner on the review resulting in this independent auditor's review report is Nadeem Yousuf Adil.



Chartered Accountants

Place: Karachi

Date: August 28, 2019

Condensed Interim Statement of Financial Position

As at June 30, 2019

	Note	Un-audited June 30, 2019	Audited December 31, 2018
Rupees '000			
ASSETS			
Non-current assets			
Property, plant and equipment	4	9,149,630	8,921,205
Intangibles	5	1,082,072	1,082,072
Long-term loans to employees		100,421	80,785
Long-term deposits		18,260	18,260
		10,350,383	10,102,322
Current assets			
Stores and spares		307,696	270,451
Stock-in-trade	6	9,809,863	5,944,050
Trade debts		1,248,570	1,594,900
Loans and advances		480,500	247,788
Trade deposits and prepayments		233,443	132,887
Interest accrued		-	1,321
Taxation - payments less provision		583,337	50,972
Refunds due from government		42,675	44,271
Other receivables		1,128,291	354,534
Investments - at amortised cost		-	247,840
Cash and bank balances		475,363	3,185,011
		14,309,738	12,074,025
Total assets		24,660,121	22,176,347
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital		3,184,672	3,184,672
Reserves		10,880,095	12,234,778
		14,064,767	15,419,450
LIABILITIES			
Non-current liabilities			
Staff retirement benefits		401,659	370,799
Deferred taxation	8	680,963	615,887
Long-term portion of lease liabilities		37,483	-
		1,120,105	986,686
Current liabilities			
Trade and other payables	9	6,474,212	5,607,688
Running finance under mark-up arrangement		2,745,301	-
Accrued mark-up		33,036	-
Provisions	10	100,897	74,602
Current portion of lease liabilities		18,360	-
Unclaimed dividend		103,443	87,921
		9,475,249	5,770,211
Total liabilities		10,595,354	6,756,897
Total equity and liabilities		24,660,121	22,176,347
Contingencies and commitments			
	11		

The annexed notes 1 to 21 form an integral part of this condensed interim financial statements.



M. Azizul Haq
Chief Executive Officer



Abdul Samad
Chief Financial Officer



Maheen Rahman
Director

Condensed Interim Statement of Profit or Loss and other Comprehensive Income

For the Half year ended June 30, 2019 (Un-Audited)

Rupees '000	Note	Quarter ended		Half year ended	
		June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Continuing operations:					
Net sales	12	9,285,424	8,101,554	17,653,475	17,224,111
Cost of sales		(7,656,034)	(6,259,881)	(14,041,023)	(12,725,298)
Gross profit		1,629,390	1,841,673	3,612,452	4,498,813
Selling, marketing and distribution expenses	13	(509,644)	(822,312)	(1,663,724)	(1,710,735)
Administrative expenses		(283,514)	(275,015)	(562,086)	(521,954)
Other operating expenses		(61,075)	(81,059)	(134,988)	(204,042)
Other income	14	295,947	178,899	638,437	232,102
Operating profit		1,071,104	842,186	1,890,091	2,294,184
Financial charges		(301,914)	(22,088)	(303,278)	(71,239)
Profit before taxation		769,190	820,098	1,586,813	2,222,945
Taxation	15	(427,512)	(430,553)	(712,225)	(918,660)
Profit after taxation from continuing operations		341,678	389,545	874,588	1,304,285
Discontinued operations:					
Profit after taxation from discontinued operations		-	26,029	-	26,029
Other comprehensive income		-	-	-	-
Total comprehensive income		341,678	415,574	874,588	1,330,314
Earnings per share	16				
- continuing operations		Rs. 1.07	Rs. 1.22	Rs. 2.75	Rs. 4.10
- discontinued operations		-	Re. 0.08	-	Re. 0.08
		Rs. 1.07	Rs. 1.30	Rs. 2.75	Rs. 4.18

The annexed notes 1 to 21 form an integral part of this condensed interim financial statements.



M. Azizul Haq
Chief Executive Officer



Abdul Samad
Chief Financial Officer



Maheen Rahman
Director

Condensed Interim Statement of Cash Flows

For the Half year ended June 30, 2019 (Un-Audited)

Rupees '000	Note	June 30, 2019	June 30, 2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	17	(1,728,295)	1,399,277
Staff retirement benefits paid		(108,586)	(107,255)
Income taxes paid		(1,179,514)	(880,010)
Increase / (decrease) in long-term loans to employees		(19,636)	11,072
Net cash (used in) / generated from operating activities		(3,036,031)	423,084
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(575,229)	(463,645)
Proceeds from sale of operating assets		53,354	183,473
Return received		82,547	-
Net cash used in investing activities		(439,328)	(280,172)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liabilities		(13,681)	-
Dividend paid		(2,213,749)	(1,135,485)
Net cash used in financing activities		(2,227,430)	(1,135,485)
Net decrease in cash and cash equivalents		(5,702,789)	(992,573)
Cash and cash equivalents at beginning of the period		3,432,851	2,167,710
Cash and cash equivalents at end of the period	18	(2,269,938)	1,175,137

The annexed notes 1 to 21 form an integral part of this condensed interim financial statements.



M. Azizul Haq
Chief Executive Officer



Abdul Samad
Chief Financial Officer



Maheen Rahman
Director

Condensed Interim Statement of Changes in Equity

For the Half year ended June 30, 2019 (Un-Audited)

	Share capital	Reserves			Total Reserves	Total
		Capital Reserve	Revenue Reserves			
Rupees '000		Reserve arising on Schemes of Arrangements	General reserve	Unappropriated profit		
Balance as at January 1, 2018	3,184,672	1,126,923	3,999,970	5,150,292	10,277,185	13,461,857
Final dividend for the year ended December 31, 2017 @ Rs. 4 per share	-	-	-	(1,273,869)	(1,273,869)	(1,273,869)
Total comprehensive income for the half year ended June 30, 2018	-	-	-	1,330,314	1,330,314	1,330,314
Balance as at June 30, 2018	<u>3,184,672</u>	<u>1,126,923</u>	<u>3,999,970</u>	<u>5,206,737</u>	<u>10,333,630</u>	<u>13,518,302</u>
Balance as at January 1, 2019	3,184,672	1,126,923	3,999,970	7,107,885	12,234,778	15,419,450
Final dividend for the year ended December 31, 2018 @ Rs. 7 per share	-	-	-	(2,229,271)	(2,229,271)	(2,229,271)
Total comprehensive income for the half year ended June 30, 2019	-	-	-	874,588	874,588	874,588
Balance as at June 30, 2019	<u>3,184,672</u>	<u>1,126,923</u>	<u>3,999,970</u>	<u>5,753,202</u>	<u>10,880,095</u>	<u>14,064,767</u>

The annexed notes 1 to 21 form an integral part of this condensed interim financial statements.



M. Azizul Haq
Chief Executive Officer



Abdul Samad
Chief Financial Officer



Maheen Rahman
Director

Selected Notes to and Forming Part of The Condensed Interim Financial Information

For the Half year ended June 30, 2019 (Un-Audited)

1. THE COMPANY AND ITS OPERATIONS

GlaxoSmithKline Pakistan Limited (the Company) is incorporated in Pakistan as a limited liability company and is listed on the Pakistan Stock Exchange. The registered office of the Company is situated at 35 - Dockyard Road, West Wharf, Karachi, Sindh. It is engaged in manufacturing and marketing of research based ethical specialities and pharmaceutical products.

The Company is a subsidiary of S.R. One International B.V., Netherlands, whereas its ultimate parent company is GlaxoSmithKline plc, UK.

- 1.1** Due to the pending transfer of marketing authorisations and certain permissions for Over the Counter (OTC) products of GlaxoSmithKline Consumer Healthcare Pakistan Limited (GSK CH) with Drug Regulatory Authority of Pakistan (DRAP), the Company, for and on behalf of GSK CH is engaged in the procurement, manufacturing and managing the related inventory and receivable balances pertaining to such products against a service fee charged by the Company.

2. BASIS OF PREPARATION

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard 34: 'Interim Financial Reporting' (IAS 34), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act); and
- Provisions of and directives issued under the Act.

Where the provisions of and directives issued under the Companies Act, 2017, differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017, have been followed.

- 2.1** The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of IAS 34. These condensed interim financial statements do not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual audited financial statements of the Company for the year ended December 31, 2018.

3. ACCOUNTING POLICIES

3.1 Significant accounting policies

- 3.1.1** The significant 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 annual audited financial statements of the Company for the year ended December 31, 2018, except for the changes in accounting policies as stated in note 3.1.4 below.

- 3.1.2** Taxes on income are accrued using the average tax rate that is expected to be applicable to the full financial year.

- 3.1.3** Actuarial valuations are carried out on annual basis. The last actuarial valuation was carried out on December 31, 2018, therefore, no impact of actuarial gain / loss has been calculated for the current period and comparative condensed financial statements has also not been adjusted for the same reason.

3.1.4 Standards, interpretations and amendments to published approved accounting standards that became effective during the year

Certain amendments and interpretations became effective that are mandatory for accounting periods beginning on or after January 1, 2019. However, these are not relevant for the Company's financial statements except for the following amendment which have not materially impacted the financial reporting of the Company:

Selected Notes to and Forming Part of The Condensed Interim Financial Information

For the Half year ended June 30, 2019 (Un-Audited)

(a) IFRS 16 - Leases

The Company has adopted IFRS 16 by applying the modified retrospective approach according to which the Company is not required to restate the prior year results.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating lease' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 01, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 01, 2019 was 12.41%. Subsequently, lease payments made are allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The total lease liability recognised was as follows:

Rupees '000	June 30, 2019	January 01, 2019
Long term portion of lease liabilities	(37,483)	(30,907)
Current portion of lease liabilities	(18,360)	(4,873)
	<u>(55,843)</u>	<u>(35,780)</u>

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at December 31, 2018. Subsequently, the right of use assets is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The total right-of-use assets recognised was as follows:

Rupees '000	June 30, 2019	January 01, 2019
Right of use assets	<u>59,380</u>	<u>42,620</u>

Net change in net assets and impact on condensed interim statement of profit or loss and other comprehensive income were assessed to be immaterial to the condensed interim financial statement.

3.2 Financial risk management

The Company's financial risk management objective and policies are consistent with those disclosed in the annual audited financial statements of the Company for the year ended December 31, 2018.

3.3 Fair value of financial assets and liabilities

The carrying value of financial assets and financial liabilities reported in these condensed interim financial statements approximates their fair values.

3.4 Estimates and judgments

Estimates and judgments made by management in the preparation of these condensed interim financial statements are same as those applied in the preparation of the annual audited financial statements of the Company for the year ended December 31, 2018.

Selected Notes to and Forming Part of The Condensed Interim Financial Information

For the Half year ended June 30, 2019 (Un-Audited)

Rupees '000	Note	(Un-audited) June 30, 2019	(Audited) December 31, 2018
4. PROPERTY, PLANT AND EQUIPMENT			
Operating assets	4.1	8,340,231	8,308,401
Capital work-in-progress		646,123	501,397
Right of use of asset		59,380	-
Major spare parts and standby equipments		103,896	111,407
		9,149,630	8,921,205

4.1 Details of additions to and disposals of operating assets are as follows:

Rupees '000	(Un-audited) Additions (at cost)		(Un-audited) Disposals (at net book value)	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Improvements on buildings	107,512	30,261	-	48
Plant and machinery	131,731	108,933	-	1,010
Furniture and fixtures	9,967	11,058	5,880	-
Vehicles	100,727	67,269	24,588	15,496
Office equipments	74,922	56,066	-	423
	424,859	273,587	30,468	16,977

Rupees '000	Note	(Un-audited) June 30, 2019	(Audited) December 31, 2018
5. INTANGIBLES			
Goodwill		955,742	955,742
Marketing authorisation rights	5.1	126,330	126,330
		1,082,072	1,082,072

- 5.1** This includes Rs. 40.3 million paid as consideration to Novartis Pharma (Pakistan) Limited (NPPL) in respect of acquiring marketing authorisation rights in relation to NPPL's vaccines business and Rs. 86 million paid as consideration for acquiring market authorisation rights of Traxon from Akhai Pharmaceuticals (Private) Limited.

Selected Notes to and Forming Part of The Condensed Interim Financial Information

For the Half year ended June 30, 2019 (Un-Audited)

Rupees '000	(Un-audited) June 30, 2019	(Audited) December 31, 2018
6. STOCK-IN-TRADE		
Raw and packing material	3,899,064	2,908,577
Work-in-process	590,708	535,881
Finished goods	5,732,873	2,877,193
	10,222,645	6,321,651
Less: Provision for slow moving, obsolete and damaged items	(412,782)	(377,601)
	9,809,863	5,944,050

6.1 Stock-in-trade includes items costing Rs. 2.2 billion (December 31, 2018: Rs. 2.2 billion) valued at net realisable value of Rs. 1.56 billion (December 31, 2018:Rs. 1.88 billion).

6.2 Stock of Rs. 14.16 million (December 31, 2018: Rs. 124.02 million) have been written off against provision during the period.

7. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

7.1 Profit after taxation from discontinued operations:

Rupees '000	Note	Quarter ended - (Un-audited)		Half year ended - (Un-audited)	
		June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Net sales		-	-	-	-
Cost of sales		-	-	-	-
Gross profit		-	-	-	-
Selling, marketing and distribution expenses		-	-	-	-
Other operating income	7.1.1	-	10,000	-	10,000
Profit before taxation		-	10,000	-	10,000
Taxation		-	16,029	-	16,029
Profit after Taxation		-	26,029	-	26,029

7.1.1 This represented gain on the sale of land along with building and other assets located at Sundar Industrial Estate, Lahore at a total negotiated sale proceed of Rs.164 million.

7.2 Cash flows relating to discontinued operations for the half year ended:

Rupees '000	(Un-audited) June 30, 2019	(Audited) December 31, 2018
Net cash generated from investing activities	-	164,000

Selected Notes to and Forming Part of The Condensed Interim Financial Information

For the Half year ended June 30, 2019 (Un-Audited)

8. DEFERRED TAXATION

Rupees '000	(Un-audited) June 30, 2019	(Audited) December 31, 2018
Deferred tax liability on taxable temporary differences		
Accelerated tax depreciation allowance	1,016,917	909,174
Assets under IFRS 16	16,777	-
	1,033,694	909,174
Deferred tax asset on deductible temporary differences		
Liability under IFRS 16	(15,778)	-
Provision for doubtful debts, other receivables and refunds due from Government	(85,007)	(74,569)
Provision for trade deposits and doubtful advances	(17,035)	(14,532)
Provision for slow moving and obsolete stock and stores and spares	(121,426)	(101,505)
Staff retirement benefits	(113,485)	(102,681)
	680,963	615,887
9. TRADE AND OTHER PAYABLES		
Creditors and bills payable	2,751,579	2,179,889
Accrued liabilities	2,572,643	2,434,966
Others	1,149,990	992,833
	6,474,212	5,607,688
10. PROVISIONS		
Balance at beginning of the period	74,602	411,771
Charge for the period	41,823	260,217
Payments during the period	(15,528)	(597,386)
Balance at end of the period	100,897	74,602
11. CONTINGENCIES AND COMMITMENTS		
11.1 Following is the change in the status of contingencies as reported in the financial statements for the year ended December 31, 2018:		
(i) As a result of monitoring proceedings of withholding taxes for Financial Year 2016 (Tax Year 2017), Assistant Commissioner Inland Revenue has issued Order under section 161/ 205 of the Income Tax Ordinance, 2001 (Ordinance) raising demand of Rs. 38.75 million on certain sales promotion expenses alleging that withholding tax rate of 20% must be applied on such expenses under section 156 of the Ordinance. The Company filed an appeal against the said Order before Commissioner Inland Revenue (Appeals) which was decided in favor of the Company. The Department has filed an appeal against the Order before the Tribunal, which is due for hearing.		
The management is confident that the ultimate decision in the above cases will be in favor of the Company, hence no provision has been recognised in respect of the aforementioned additional tax demands.		
11.2 Commitments for capital expenditure outstanding as at June 30, 2019, amounted to Rs. 964.68 million (December 31, 2018: Rs. 205.18 million).		

Selected Notes to and Forming Part of The Condensed Interim Financial Information

For the Half year ended June 30, 2019 (Un-Audited)

12. NET SALES

- 12.1** The net sales include sales of Over the Counter Products amounting to Rs. 2.35 billion (June 30, 2018: 2.16 billion to GSK CH being manufactured by the Company due to pending transfer of marketing authorisations by DRAP - refer note 1.1).

13. SELLING, MARKETING AND DISTRIBUTION EXPENSES

This includes advertising and sales promotion expenses of Rs. 250.13 million (June 30, 2018: Rs. 332.79 million).

14. OTHER INCOME

	Note	Quarter ended - (Un-audited)		Half year ended - (Un-audited)	
		June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Rupees '000					
Income from financial assets					
Return on Treasury bills		792	1,881	9,753	7,069
Income on savings and deposit accounts		10,685	17,536	71,473	41,682
		11,477	19,417	81,226	48,751
Income from non-financial assets					
Gain on disposal of operating assets		2,370	2,521	22,885	1,251
Others					
Scrap sales		14,605	8,815	27,664	19,026
Insurance commission		1,321	5,383	9,821	10,767
Promotional allowance	14.1	242,000	-	467,000	-
Liabilities no longer payable written off		-	8,119	-	8,119
Insurance claim recovery		-	127,042	-	127,042
Service fee		3,000	3,000	6,000	6,000
Others		21,174	4,602	23,841	11,146
		295,947	178,899	638,437	232,102

- 14.1** This represents allowance from GSK group against various promotional activities for brand building and sustainable investments.

15. TAXATION

- 15.1** This includes prior year charge amounting to Rs. 92.27 million which represents reversal of tax credit under section 65B of Income Tax Ordinance, 2001 on account of additions in plant and machinery for extension, expansion, balancing, modernization and replacement. After the promulgation of Finance Act, 2019, the said credit has been restricted to 5% (previously 10%) of aforementioned additions.

Selected Notes to and Forming Part of The Condensed Interim Financial Information

For the Half year ended June 30, 2019 (Un-Audited)

	(Un-audited) June 30, 2019	(Un-audited) June 30, 2018
Rupees '000		
16. EARNINGS PER SHARE		
Profit after taxation from continuing operations	874,588	1,304,285
Profit after taxation from discontinued operation	-	26,029
		Number of shares
Weighted average number of shares outstanding during the period	318,467,278	318,467,278
Earnings per share - continuing operations	Rs. 2.75	Rs. 4.10
Earnings per share - discontinued operations	-	Re. 0.08
Earnings per share - basic	Rs. 2.75	Rs. 4.18
16.1	A diluted earnings per share has not been presented as the Company did not have any convertible instruments in issue which would have any effect on the earnings per share if the option to convert is exercised.	
Rupees '000	(Un-audited) June 30, 2019	(Un-audited) June 30, 2018
17. CASH GENERATED FROM OPERATIONS		
Profit before taxation	1,586,813	2,232,945
Add / (less): Adjustments for non-cash charges and other items		
Depreciation and impairment	374,298	318,275
Provision for slow moving, obsolete and damaged stock-in-trade net of stock written off	335,962	34,313
Gain on disposal of operating fixed assets	(22,885)	(11,251)
Interest income	(81,226)	-
Financial charges	36,202	-
Provision for staff retirement benefits	139,446	127,148
Profit before working capital changes	2,368,610	2,701,430
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Stores and spares	(37,245)	22,112
Stock-in-trade	(4,201,775)	365,333
Trade debts	346,330	(502,168)
Loans and advances	(232,712)	51,928
Trade deposits and prepayments	(100,556)	(108,997)
Interest accrued	-	3,182
Refunds due from the Government	1,596	(15,418)
Other receivables	(773,757)	(62,910)
	(4,998,119)	(246,938)
Increase / (decrease) in current liabilities		
Trade and other payables	874,919	(779,351)
Provisions	26,295	(275,864)
	(4,096,905)	(1,302,153)
	(1,728,295)	1,399,277

Selected Notes to and Forming Part of The Condensed Interim Financial Information

For the Half year ended June 30, 2019 (Un-Audited)

Rupees '000	(Un-audited) June 30, 2019	(Un-audited) June 30, 2018
18. CASH AND CASH EQUIVALENTS		
Cash and bank balances	475,363	1,175,137
Running finance under mark-up arrangement	(2,745,301)	-
	(2,269,938)	1,175,137

19. TRANSACTIONS WITH RELATED PARTIES

The related parties include associated companies, directors and key management personnel of the Company. The transactions with related parties are carried out in the normal course of business at contracted rates. Details of transactions with related parties and balances with them at period end, other than those which have been disclosed elsewhere in these financial statements, are as follows:

Rupees '000	(Un-audited) June 30, 2019	(Un-audited) June 30, 2018
19.1 Details of transactions carried out during the period with the related parties are as follows:		
Relationship	Nature of transactions	
Holding company:	Dividend paid	1,841,209
Associated companies:	a. Royalty expense charged	157,581
	b. Purchase of goods	4,323,206
	c. Sale of goods	2,399,940
	d. Recovery of expenses - note 19.1.1	618,135
	e. Services fees	6,000
	f. Sales as an agent of GSK CH	3,239,251
	g. Promotional allowance	467,000
Staff retirement funds:	a. Expense charged for retirement benefit plans	139,446
	b. Payments to retirement benefit plans	119,870
Key management personnel:	a. Salaries and other employee benefits	167,434
	b. Post employment benefits	10,388
	c. Proceeds from sale of fixed assets	15,327

19.1.1 This includes reimbursement from GSK Group of one-off severance cost of Rs. 348.8 million incurred during the period to restructure our sales operations.

Rupees '000	Un-audited June 30, 2019	Audited December 31, 2018
19.2 Details of outstanding balances as at period / year end with the related parties are as follows:		
Associated Companies:		
Trade debts	-	3,779
Other receivable	991,212	321,285
Trade and other payables	1,110,800	1,329,148
Staff retirement benefits (Payable)	401,659	370,799

Selected Notes to and Forming Part of The Condensed Interim Financial Information

For the Half year ended June 30, 2019 (Un-Audited)

20. FAIR VALUE MEASUREMENTS

IFRS 13 "Fair Value Measurement" defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying amounts of all the financial instruments reflected in these financial statements approximate their fair value. IFRS 13 requires categorization of fair value measurements into different levels of fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Company does not have any financial assets and liabilities measured at fair value. The carrying values of all the financial assets and financial liabilities reported in the balance sheet approximate their fair values.

21. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial statements was approved and authorised for issue by the Board of Directors of the Company on August 28, 2019.



M. Azizul Haq
Chief Executive Officer



Abdul Samad
Chief Financial Officer



Maheen Rahman
Director



GlaxoSmithKline Pakistan Limited

35 - Dockyard Road, West Wharf, Karachi - 74000
GlaxoSmithKline Pakistan Limited of a member of
GlaxoSmithKline group of Companies.

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