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Transcending Boundaries

GlaxoSmithKline Pakistan Limited
Third Quarter Report

2017

Corporate Information

Board of Directors

Mr. Dylan Jackson
Chairman

Mr. M. Azizul Huq
Chief Executive Officer

Mr. Abdul Samad
Chief Financial Officer

Mr. Husain Lawai
Independent Director

Mr. Mehmood Mandviwalla
Non-Executive Director

Mr. Sohail Matin
Non-Executive Director

*Mr. Nicolas Ragot
*(Resigned as Non-Executive Director
w.e.f August 2017)*

Audit Committee

Mr. Husain Lawai
Chairman

Mr. Mehmood Mandviwalla
Member

Mr. Dylan Jackson
Member

*Mr. Nicolas Ragot
*(Resigned as Non-Executive Director
w.e.f August 2017)*

Human Resource & Remuneration Committee

Mr. Mehmood Mandviwalla
Chairman

Mr. Husain Lawai
Member

Mr. M. Azizul Huq
Member

Mr. Dylan Jackson
Member

Management Committee

Mr. M. Azizul Huq
Chief Executive Officer

Mr. Abdul Samad
Chief Financial Officer

Syed Azeem Abbas Naqvi
Cluster Legal Director - Pakistan and Iran

Dr. Naved Masoom Ali
Business Unit Director - Primary Care

Dr. Tariq Farooq
Business Unit Director - Speciality

Ms. Zainab Hameed
Head of IT

Syed Muhammad Salman Haider
Director Commercial Excellence

Dr. Gohar Nayab Khan
Director Regulatory Affairs

Mr. Abdul Haseeb Pirzada
Head of Corporate Affairs and Administration

Mr. Muhammad Arif Tahir
Director Commercial Trade Channel

Mr. Ahmad Ali Zia
HR Cluster Head - Pakistan and Iran

Mr. Muhammad Imran Amin
Country Compliance Officer

Dr. Yahya Jan
Director Medical



Sykes Building

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

A. F. Ferguson & Co. Chartered Accountants

Legal Advisors

Mandviwalla & Zafar 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

ڈائریکٹرز رپورٹ

میں آپ کی کمپنی کے لئے 30 ستمبر، 2017 کو ختم ہونے والے 9 ماہ کے لئے غیر آڈٹ شدہ مالی معلومات پیش کرنے میں مسرت محسوس کر رہا ہوں۔ یہ مالیاتی معلومات کمپنیز آرڈیننس، 1984 کی دفعہ 245 کے مطابق ہیں۔

عملی نتائج کا جائزہ

ٹیکس 2.2 بلین روپے کا خالص منافع ریکارڈ کیا جو سبزی میں اضافے اور کنٹرول شدہ اخراجات کے امتزاج کی وجہ سے گزشتہ برس کے اسی عرصے کے نسبت 23.8 فی صد زیادہ ہے۔

اس عرصے میں 771 ملین روپے کی سرمایہ کاری ہوئی ہے (ستمبر 30، 2016: 1.3 بلین روپے)۔ اس عرصے کے دوران، کمپنی نے بڑھتی ہوئی کاروباری ضروریات کو پورا کرنے کے لئے پلانٹ کو اپ گریڈ کرنے اور پیداواری استعداد میں اضافہ کرنے کے کام جاری رکھے۔

اس عرصے میں، کمپنی کے سرپلس فنڈز 1.7 بلین روپے کم ہو گئے، جس کی سب سے بڑی وجہ 1.9 بلین روپے کے ڈیویڈنڈ کی ادائیگی تھی۔

مستقبل کی توقعات اور چیلنجز

جدت اور کارکردگی کو بہتر بنانے اور اعتماد قائم کرنے کے لئے GSK کی نئی طویل المدت ترجیحات کی روشنی میں، آپ کی کمپنی ان اسٹریٹجک ترجیحات پر عمل درآمد پر توجہ دے رہی ہے۔

GSK کی جدید پروڈکٹ پائپ لائن کو ایک موزوں وقت پر ملک میں متعارف کروانے کا عمل جاری رکھنا ہمارا ایک بڑا ایجنڈا ہے۔ عبوری طور پر، ہم اپنی حکمت عملیوں پر بہترین عمل درآمد کے ذریعے اپنی کارکردگی میں اضافہ کریں گے تاکہ آپ کی کمپنی کے مختلف نوعیت کے موجودہ پورٹ فولیوز مریضوں اور حفظان صحت کی سہولتیں فراہم کرنے والوں تک پہنچ سکیں۔

اپنے اقدار سے رہنمائی حاصل کرتے ہوئے، ہماری تمام سرگرمیوں کا محور و مرکز ہمارے مریض ہیں، اپنے صارفین اور بڑی سطح پر معاشرے میں اپنے

کمپنی نے مستحکم آپریشنل کارکردگی پر مشتمل ایک اور سہ ماہی مکمل کی ہے اور گلکسو اسمتھ کلائن کنزپومر ہیلتھ کیئر پاکستان لمیٹڈ (GSKCH) کے لئے 2.9 بلین روپے کی فروخت سمیت اب تک 23.9 بلین روپے کی خالص سیلز کی ہے۔ یہ سیلز آپ کی کمپنی کی جانب سے GSKCH کے لئے تیار کردہ اشیاء پر مشتمل ہے، جن کی مارکیٹنگ کی اجازت کے لئے منتقلی ابھی زیر التوا ہے۔ ان 9 ماہ میں فارماسیوٹیکل کی سیلز 14.6 فی صد کے اضافے سے 21 بلین روپے تک پہنچ چکی ہے۔ اس عرصے کے دوران، ہمارے تمام اہم پورٹ فولیوز - اینٹی بائیوٹکس، انال جیسکس، اور ڈراماٹولوجی - کی کارکردگی شاندار رہی ہے۔

اس مدت کے لئے آپ کی کمپنی کا مجموعی منافع 27.6 فی صد تھا جو علاوہ چند غیر مستقل معاملات کے، گزشتہ برس کے مقابلے میں تقریباً یکساں سطح پر ہے۔ گزشتہ برس کے اسی عرصے کے ساتھ موازنہ کیا جائے تو مطلق افزائش 24.2 فی صد کے اضافے کے ساتھ 1,286 ملین روپے تھی۔

فروخت، مارکیٹنگ اور تقسیم کاری (distribution) کے اخراجات 2.2 بلین روپے ریکارڈ کئے گئے۔ یہ اخراجات پروموشنل اخراجات کی وجہ سے 8.9 فی صد اضافے کے ساتھ بڑھ کر 182 ملین روپے تک پہنچ گئے جو اس عرصے کے دوران سیلز میں اضافے کی بدولت پوری طرح قابو میں تھے۔ انتظامی اخراجات میں 13.6 بلین (1.9 فی صد) اضافہ ہوا جو جاری اخراجات کو قابو میں رکھنے کے کمپنی کے اقدامات کی عکاسی کرتے ہوئے افراط زر کی عام سطح سے کہیں نیچے تھے۔ مجموعی طور پر آپ کی کمپنی نے بعد از

اہم اسٹیک ہولڈرز کے ساتھ مصروف کار رہنا جاری رکھیں گے تاکہ ہم مل کر ان لاکھوں مریضوں کو دیر پا انداز میں اپنی ادویات اور ویکسینز کی فراہمی جاری رکھ سکیں جو ہماری مصنوعات پر انحصار کرتے ہیں۔

ڈیویڈنڈ

کمپنی کے بورڈ آف ڈائریکٹرز نے 26 اکتوبر 2017 کو ہونے والی میٹنگ میں، 3 روپے فی حصص عبوری نقد ڈیویڈنڈ دینے کا اعلان کیا ہے (سال 2016 میں یہ صفر تھا)۔

اعتراف:

میں بورڈ کی جانب سے اس عرصے کے دوران کمپنی کے مقاصد کے حصول میں مدد دینے پر عملے کی جانب سے عزم اور جذبے کا مظاہرہ کرنے پر ان کی تعریف کرنا چاہوں گا۔

بحکم بورڈ



ایم عزیز الحق

چیف ایگزیکٹو آفیسر

کراچی

اکتوبر 26، 2017

معاملات کے اعلیٰ معیار کو برقرار اور جاری رکھیں گے۔ جیسا کہ آپ جانتے ہیں، آپ کی کمپنی نے حفظانِ صحت کے پیشہ ور افراد کے ساتھ تعلقات کے انداز میں ایک واضح تبدیلی متعارف کروائی ہے۔ دنیا بھر میں اور پاکستان میں، ٹیکنالوجی کی ترقی کے ساتھ منسلک ہوتے ہوئے، ہم نے اپنے کام میں ڈیجیٹل صلاحیتوں کا اضافہ کیا ہے، جس کی وجہ سے اعلیٰ معیاری سائنس کو ایک بڑے طبقے میں متعارف کروایا گیا ہے۔ ان اقدامات کو ہمارے اسٹیک ہولڈرز کی جانب سے مثبت پذیرائی حاصل ہوئی ہے۔

پاکستان کی اقتصادی ترقی کے ساتھ، فارماسیوٹیکل شعبہ حاصل پیدا کرنے اور نئی آسامیاں پیدا کرنے کے ذریعے مثبت کردار ادا کرنے میں اپنا بھرپور کردار ادا کر سکتا ہے۔ یہ بات اطمینان بخش ہے کہ نجی شعبے کے علاوہ، وفاقی اور صوبائی حکومتیں ملکی آبادی کو معیاری پروڈکٹس دستیاب کرنے کا ارادہ ظاہر کر رہی ہیں۔ یہ صورت حال تمام سماجی-اقتصادی گروپوں کو معیاری ادویات تک رسائی کی سہولت دینے کے لئے GSK کی حکمت عملی سے پوری طرح مطابقت رکھتی ہے۔ ہم اپنی اعلیٰ معیاری فارماسیوٹیکل پروڈکٹس اور ویکسینز کی سپلائی موزوں قیمتوں کے ذریعے ان کاموں کی حمایت میں جاری رکھنے کا عزم رکھتے ہیں۔

آپ کی کمپنی اپنے معیار کے غیر متزلزل عزم پر پورا اترنے کے لئے اپنی مصنوعات کی بہترین قیمت پر فراہمی کو یقینی بنانے کی ضرورت کا مکمل احساس رکھتی ہے اور اس کا پاس کرتی ہے۔ یہ سب کرنے کے لئے، ہمیں اپنے ریگولیٹرز اور حکومت کی جانب سے معاون اور عملی پالیسیاں تشکیل دینے کی ضرورت ہے۔ بد قسمتی سے، جب ہم اپنا موازنہ اس خطے کے دیگر ممالک سے کرتے ہیں تو اپنے آپ کو بہت پیچھے پاتے ہیں۔ تاہم، ان مسائل پر ہم

Directors' Report

I am pleased to present your Company's un-audited financial information for the nine months ended September 30, 2017. This financial information is submitted in accordance with Section 245 of the Companies Ordinance, 1984.

Review of Operating Results:

The Company delivered another quarter of strong operational performance and achieved year to date net sales of Rs. 23.9 billion including sale of Rs. 2.9 billion to GlaxoSmithKline Consumer Healthcare Pakistan Ltd (GSKCH). This sales is of products manufactured for GSKCH by your Company, pending transfer of marketing authorization. The core Pharmaceutical sales grew 14.6% to Rs. 21 billion in these nine months. All our major portfolios - Antibiotics, Analgesics, and Dermatology did well in this period.

Gross profit margin of your company over this period was 27.6% which is almost at the same level compared to last year, excluding one offs. The absolute growth was higher by Rs 1,286 million as compared to same period last year, an increase of 24.2%.

Selling, marketing and distribution expenses were recorded at Rs. 2.2 billion. This represents an increase of Rs. 182 million – a growth of 8.9%, driven by promotional expenses which is well controlled given the sales growth delivered during the period. Administrative expenses increased by Rs. 13.6 million (1.9%) well below general inflation reflecting the company's initiative to control ongoing costs. Overall your company reported a net profit after tax of Rs. 2.2 billion an increase of 23.8% over the corresponding period last year, due to a combination of sales growth and controlled expenses.

Capital expenditure of Rs. 771 million was incurred over the current period (September 30, 2016: Rs 1.3 billion). During this time,

the Company continued to invest in plant up-gradation and capacity enhancement initiatives to meet the growing needs of the business.

Over this period, the surplus funds of the company decreased by Rs 1.7 billion as compared to the year-end balance, mainly due to dividend payments of Rs. 1.9 billion.

Future outlook and Challenges:

In line with GSK's new long term priorities to strengthen innovation, improve performance and built trust, your company is focusing on the execution of these strategic priorities.

Introducing GSK's innovative product pipeline to the country at an appropriate time continues to remain high on our agenda. In the interim, we will accelerate performance through excellent execution of our strategies so that your company's existing diverse portfolio reaches the patients and healthcare providers who serve them.

Guided by our values, we keep patients at the heart of all our activities and will continue to set higher standards of engagements with our customers and society at large. As you know, your company has led a significant shift in the ways of engagement with the healthcare professionals. Aligned with the technological advancements around the globe and in Pakistan, we have embedded digital engagements in our ways of working, bringing high quality science to a wider audience. These initiatives are gaining positive responses from our stakeholders.

With Pakistan's economic progress, the Pharmaceutical sector can play its due role in contributing positively through revenue generation and creating new jobs. It is very satisfying to note that in addition to the private sector, the federal and provincial governments are showing their intent to make quality products available to the population. This fully aligns to GSK's strategy to facilitate access to quality medicines across all socio-economic groups. We remain committed to support these initiatives through appropriate pricing for supply of our high quality pharmaceutical products and vaccines.

Your company remains fully sensitive and aligned with the need to provide its products at the best price point possible to sustain our unwavering commitment to quality. To do that, we need supportive and pragmatic policies from our regulators and the Government. Unfortunately, we lag behind in this respect when compared to other regional countries. However, we will continue to engage the key stakeholders on these issues so that together, we can continue to provide access to our medicines and vaccines in a sustainable way for the millions of patients who depend on our products.

Dividend

The Board of Directors of the Company, in their meeting held on October 26th, 2017, have announced an interim cash dividend of Rs. 3.0 (2016: Nil) per share.

Acknowledgment:

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

By order of the Board.



M. Azizul Huq
Chief Executive Officer
Karachi

October 26, 2017

Condensed Interim Balance Sheet

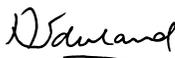
as at September 30, 2017

Rupees '000	Note	(Un-audited) September 30, 2017	(Audited) December 31, 2016
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	5	8,438,435	8,318,434
Intangibles	6	1,039,072	1,039,072
Long-term loans to employees		71,903	49,369
Long-term deposits		21,955	21,955
		9,571,365	9,428,830
CURRENT ASSETS			
Stores and spares		184,001	201,037
Stock-in-trade		6,020,549	5,548,083
Trade debts		1,580,836	530,413
Loans and advances		374,420	177,653
Trade deposits and prepayments		243,295	134,335
Interest accrued		4,255	12,074
Refunds due from government		32,781	54,178
Other receivables		399,120	484,945
Investments		448,519	793,873
Cash and bank balances		2,179,551	3,515,638
		11,467,327	11,452,229
Assets of disposal groups classified as held for sale / disposal	7	162,000	284,048
Total Assets		21,200,692	21,165,107
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital		3,184,672	3,184,672
Reserves		10,663,252	10,358,113
		13,847,924	13,542,785
LIABILITIES			
Non-current liabilities			
Staff retirement benefits		-	78,014
Deferred taxation		597,922	645,171
		597,922	723,185
Current liabilities			
Trade and other payables	8	5,827,953	6,246,759
Taxation - provisions less payments		702,585	391,727
Provisions	9	224,308	192,739
		6,754,846	6,831,225
Liabilities of disposal groups classified as held for sale / disposal	7	-	67,912
Total Liabilities		7,352,768	7,622,322
CONTINGENCIES AND COMMITMENTS			
Total equity and liabilities	10	21,200,692	21,165,107

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.



M. Azizul Huq
Chief Executive Officer



Abdul Samad
Chief Financial Officer



Mehmood Mandviwalla
Director

Condensed Interim Profit and Loss Account

For the nine months ended September 30, 2017 (Un-audited)

Rupees '000	Note	Quarter ended		Nine Months ended	
		September 30, 2017	September 30, 2016 (Re-stated)	September 30, 2017	September 30, 2016 (Re-stated)
Continuing Operations:					
Net sales	11	7,674,526	6,932,978	23,882,711	19,849,443
Cost of sales	12	(5,457,052)	(5,022,985)	(17,281,119)	(14,533,694)
Gross profit		2,217,474	1,909,993	6,601,592	5,315,749
Selling, marketing and distribution expenses	13	(750,628)	(691,430)	(2,228,686)	(2,046,798)
Administrative expenses		(244,989)	(223,507)	(727,941)	(714,320)
Other operating expenses		(93,849)	(113,268)	(315,862)	(251,189)
Other income		68,239	327,952	362,838	524,478
Operating profit		1,196,247	1,209,740	3,691,941	2,827,920
Financial charges		(18,066)	(5,633)	(22,278)	(14,231)
Profit before taxation		1,178,181	1,204,107	3,669,663	2,813,689
Taxation	14	(390,088)	(506,914)	(1,418,025)	(1,181,963)
Profit after taxation from continuing operations		788,093	697,193	2,251,638	1,631,726
Discontinued operations:					
(Loss) / profit after taxation from discontinued operations	7	(3,974)	19,493	(35,695)	158,309
Other comprehensive income		-	-	-	-
Total comprehensive income		784,119	716,686	2,215,943	1,790,035
Earnings / (loss) per share	15				
- continuing operations		Rs. 2.47	Rs. 2.19	Rs. 7.07	Rs. 5.12
- discontinued operations		Re. (0.01)	Re. 0.06	Re. (0.11)	Re. 0.50
		Re. 2.46	Re. 2.25	Re. 6.96	Rs. 5.62

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.


M. Azizul Huq
Chief Executive Officer


Abdul Samad
Chief Financial Officer


Mehmood Mandviwalla
Director

Condensed *Interim* Cash Flow Statement

For the nine months ended September 30, 2017 (Un-audited)

Rupees '000	Note	September 30, 2017	September 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	16	2,270,689	2,722,693
Staff retirement benefits paid		(105,105)	(68,311)
Income taxes paid		(1,158,142)	(626,809)
Increase in long-term loans to employees		(22,534)	(12,839)
Net cash generated from operating activities		984,908	2,014,734
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(771,071)	(1,274,279)
Proceeds from sale of operating assets		73,786	65,339
Net cash used in investing activities		(697,285)	(1,208,940)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(1,969,064)	(1,195,630)
Cash transferred to GlaxoSmithKline Consumer Healthcare Pakistan Limited		-	(768,893)
Net cash used in financing activities		(1,969,064)	(1,964,523)
Net decrease in cash and cash equivalents		(1,681,441)	(1,158,729)
Cash and cash equivalents at beginning of the period		4,309,511	3,642,198
Cash and cash equivalents at end of the period	17	2,628,070	2,483,469

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.


M. Azizul Huq
Chief Executive Officer


Abdul Samad
Chief Financial Officer


Mehmood Mandviwalla
Director

Condensed Interim Statement of Changes in Equity

For the nine months ended September 30, 2017 (Un-audited)

Rupees '000	Share capital	Capital reserves	Revenue reserves		Total
		Reserve arising on Schemes of amalgamation	General reserve	Unappropriated profit	
Balance as at January 1, 2016	3,184,672	2,184,238	3,999,970	3,701,331	13,070,211
Final dividend for the year ended December 31, 2015 @ Rs. 4 per share	-	-	-	(1,273,869)	(1,273,869)
Transferred to GlaxoSmithKline Consumer Healthcare Pakistan "Limited pursuant to the Scheme of Arrangement"	-	(1,057,315)	-	-	(1,057,315)
Total comprehensive income for the nine months ended September 30, 2016	-	-	-	1,790,035	1,790,035
Balance as at September 30, 2016	3,184,672	1,126,923	3,999,970	4,217,497	12,529,062
Balance as at January 1, 2017	3,184,672	1,126,923	3,999,970	5,231,220	13,542,785
Final dividend for the year ended December 31, 2016 @ Rs. 6 per share	-	-	-	(1,910,804)	(1,910,804)
Total comprehensive income for the nine months ended September 30, 2017	-	-	-	2,215,943	2,215,943
Balance as at September 30, 2017	3,184,672	1,126,923	3,999,970	5,536,359	13,847,924

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.


M. Azizul Huq
 Chief Executive Officer


Abdul Samad
 Chief Financial Officer


Mehmood Mandviwalla
 Director

Selected Notes *to and* Forming Part of the Condensed *Interim* Financial Information

For the nine months ended September 30, 2017 (Un-audited)

1. THE COMPANY AND ITS OPERATIONS

The Company is incorporated in Pakistan as a limited liability company and is listed on the Pakistan Stock Exchange. It is primarily engaged in the manufacturing and marketing of research based ethical specialties and other pharmaceutical products.

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

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, marketing, sales and managing the related inventory and receivable balances pertaining to such products against a service fee charged by the Company.

2 BASIS OF PREPARATION

Consequent to the issuance of circular 23/2017 [CLD/CCD/PR(11)/2017] dated October 04, 2017 by the Securities & Exchange Commission of Pakistan (SECP) requiring companies, whose financial year closes on or before December 31, 2017, to prepare the financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, this condensed interim financial information has 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.

The condensed interim financial information should be read in conjunction with the financial statements for the year ended December 31, 2016.

2.1 Changes in accounting standards, interpretations and pronouncements

(a) Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

Following amendments to existing standards and interpretations have been published and are mandatory for accounting periods beginning on or after January 1, 2017, and are considered to be relevant to the Company's operations.

IAS 7, 'Cashflow statements' - This amendment requires disclosure to explain changes in liabilities for which cashflows have been, or will be classified as financing activities in the statement of cashflows. The amendment is part of the IASB's Disclosure Initiative. In the first year of adoption, comparative information need not be provided.

The change will impact the disclosures of the Company's annual financial statements.

(b) Standards, interpretations and amendments to published approved accounting standards that are effective in the current year but are not relevant

Except as stated above, the new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2017, are considered not to be relevant to Company's financial statements and hence have not been detailed here.

(c) Standards, interpretations and amendments to published approved accounting standards that are not yet effective

Amendment to IFRS 2, 'Share based payments' clarifies the measurement basis for cash-settled share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

Except as stated above, new standards, amendments and interpretations that are not yet effective are considered not to be relevant to the Company's financial statements and hence have not been detailed here.

3. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements for the year ended December 31, 2016.

- 3.1 Taxes on income are accrued using the average tax rate that is expected to be applicable to the full financial year.
- 3.2 Actuarial valuations are carried out on annual basis. The last actuarial valuation was carried out on December 31, 2016, therefore, no impact has been calculated for the current period and comparative condensed financial information has also not been adjusted for the same reason.
- 3.3. Non-current assets (or disposal groups) are classified as assets held for sale when sale / disposal is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgements that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

Judgements and estimates made by the management in the preparation of this condensed interim financial information are the same as those that were applied to financial statements as at and for the year ended December 31, 2016.

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended December 31, 2016.

Rupees '000	Un-audited September 30, 2017	Audited December 31, 2016
5. FIXED ASSETS		
Operating assets - note 5.1	5,433,908	5,594,858
Capital work-in-progress	2,862,001	2,634,193
Major spare parts and standby equipments - note 5.1	142,526	89,383
	8,438,435	8,318,434

5.1 Details of additions to and disposals of fixed assets are as follows:

Rupees '000	Additions (at cost)		Disposals (at net book value)	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Improvements on buildings	44,196	41,268	223	-
Plant and machinery	470,942	451,917	12,215	7,995
Furniture and fixtures	22,463	12,048	6	1,185
Vehicles	114,408	168,604	34,334	38,738
Office equipments	55,215	26,245	1,381	74
Major spare parts and standby equipments	68,654	6,307	15,511	8,023
	775,878	706,389	63,670	56,015

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

For the nine months ended September 30, 2017 (Un-audited)

Rupees '000	Un-audited September 30, 2017	Audited December 31, 2016
6. INTANGIBLES		
Goodwill	955,742	955,742
Marketing authorisation rights	83,330	83,330
	1,039,072	1,039,072

7. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

7.1 (Loss) / profit after taxation from discontinued operations:

Rupees '000	Quarter ended		Nine months ended	
	September 30, 2017	September 30, 2016 (Re-stated)	September 30, 2017	September 30, 2016 (Re-stated)
Net Sales	98,938	123,579	159,586	1,840,095
Cost of sales	(102,912)	(100,296)	(185,144)	(1,179,671)
Gross (loss) / profit	(3,974)	23,283	(25,558)	660,424
Selling, marketing and distribution expenses	-	-	(6,411)	(391,035)
Administrative expenses	-	-	-	(22,339)
Other operating expenses	-	(945)	-	(17,811)
(Loss) / profit before taxation	(3,974)	22,338	(31,969)	229,239
Taxation	-	(2,845)	(3,726)	(70,930)
(Loss) / profit after taxation	(3,974)	19,493	(35,695)	158,309

7.2 Assets and liabilities of disposal group classified as discontinued operations:

Rupees '000	Un-audited September 30, 2017	Audited September 31, 2016
Assets		
Fixed assets - note 7.3	162,000	200,492
Stock-in-trade	-	83,556
Total assets	162,000	284,048
Liabilities		
Trade and other payables	-	67,912
Net assets	162,000	216,136

7.3 This represents land having approximate area of 5.13 acres alongwith building and other assets located at Sundar Industrial Estate, Lahore for which an agreement to sell has been executed subsequent to the period ended September 30, 2017, at a value of Rs.164 million.

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

Rupees '000	September 30, 2017	September 30, 2016
Net cash generated from operating activities	18,391	1,632,549
Net cash used in investing activities	-	(37,443)

Rupees '000	Un-audited September 30, 2017	Audited December 31, 2016
8. TRADE AND OTHER PAYABLES		
Creditors and bills payable	1,766,718	2,250,943
Accrued liabilities	2,555,039	2,554,599
Others	1,506,196	1,441,217
	<u>5,827,953</u>	<u>6,246,759</u>
9. PROVISIONS		
Balance at beginning of the period	192,739	187,113
Charge for the period	46,196	95,953
Payments during the period	(14,627)	(90,327)
Balance at end of the period	<u>224,308</u>	<u>192,739</u>

10. CONTINGENCIES AND COMMITMENTS

10.1 Following is the change in the status of contingencies as reported in the financial statements for the year ended December 31, 2016:

- (a) Income Tax
- (i) While finalizing the assessment of the Company for tax year (TY) 2014 (accounting year ended December 31, 2013), the Deputy Commissioner Inland Revenue (DCIR) had issued an order raising tax demand amounting to Rs. 134 million on the contention that the Company had allegedly paid excessive amount on account of royalty and certain imported raw materials. The Company filed an appeal with the Commissioner Inland Revenue-Appeals (CIRA) in respect of the said matter. During the period, CIRA has decided the case on royalty in favour of the Company and on raw material in favour of tax department. The Company has filed an appeal before Appellate Tribunal Inland Revenue on the matter relating to raw material.
- (ii) During the period, the Deputy Commissioner Inland Revenue issued orders under section 122(1) of the Income Tax Ordinance, 2001 for TY 2013, TY 2014, TY 2015 and TY 2016 (accounting years ended December 31, 2012, 2013, 2014 and 2015 respectively) raising tax demands aggregating to Rs. 107.92 million. The orders have been issued on the contention that the Company had allegedly paid excessive amount on account of certain imported raw materials. The Company has filed appeals before the Commissioner of Inland Revenue - Appeals (CIRA) in respect of the said orders.
- (iii) During the period, the Supreme Court of Pakistan decided the case of former Bristol- Myers Squibb Pakistan (Private) Limited for assessment years 1989-1990 and 1990-1991 (accounting years ended December 31, 1989 and 1990 respectively) in favour of the Company deleting tax demand of Rs 11.99 million raised on the contention that the Company had allegedly paid excessive amount on account of certain imported raw materials. The tax department has filed review application before the Supreme Court against the decision, admission of which is pending.

The management is confident that the ultimate decision in the above cases will be in favour of the Company, hence, no provision has been recognised in respect of the aforementioned additional tax demands.

Selected Notes *to and* Forming Part of the Condensed *Interim* Financial Information

For the nine months ended September 30, 2017 (Un-audited)

10.2 Commitments for capital expenditure outstanding as at September 30, 2017, amounted to Rs. 667.14 million (December 31, 2016: Rs. 517.59 million).

11. NET SALES

11.1 The net sales include sales of Over the Counter Products amounting to Rs. 2,887.08 million to GSK Consumer Healthcare Pakistan Limited being manufactured by the Company due to pending transfer of marketing authorisations with Drug Regulatory Authority of Pakistan ('DRAP') - refer note 1.

11.2 During the year ended December 31, 2015, the Drug Regulatory Authority of Pakistan (DRAP) issued the Drug Pricing Policy 2015 (the Policy) through a notification dated March 5, 2015. Under the Policy, pending hardship cases were to be decided within a period of nine months from the date of notification of the Policy. Prior to the promulgation of the Policy, the Company had submitted applications for hardship price increase in respect of certain products.

The Company increased prices of its certain products since DRAP did not decide on the hardship cases within the stipulated nine months period. The Company filed a suit before the High Court of Sindh ('SHC') in order to avail the hardship price increase. The SHC passed an interim order in this regard, and accordingly notified to DRAP and Federation of Pakistan not to take any coercive action against the Company in respect of hardship price increases.

On December 19, 2016, SHC passed Judgement in respect of the case ('the Judgement'). The DRAP, in pursuance of the said Judgement issued a letter on December 28, 2016 requiring the Company to recall all the products from the market on which the Company availed the price increase. The Company, based on legal advice, believes that there are certain ambiguities in the Judgment and has filed an Appeal against the Judgement before the SHC in respect of which the SHC has notified to DRAP and Federation of Pakistan not to take any coercive action against the Company.

The management believes that there are strong grounds of Appeal to support the stance of the Company on hardship price increase.

12. COST OF SALES

This includes an impairment charge of Rs. 166.87 million recognised in respect of Hydrofluoroalkanes (HFA) manufacturing plant. This unit was acquired for the purpose of localising the product, however due to development and commercialization of revised formulation of the product globally, this unit has been assessed as not feasible.

A part of related liability of Rs. 145.98 million representing the cost of plant which remained unpaid to an associated company has also been written back as other income.

13. SELLING, MARKETING AND DISTRIBUTION EXPENSES

This includes advertising and sales promotion expenses of Rs. 458 million (September 30, 2016: Rs. 368 million).

14. TAXATION

14.1 This includes prior year charge of super tax amounting to Rs. 159 million (September 30, 2016: Rs. 105.8 million) imposed for rehabilitation of temporarily displaced persons under section 4B of the Income Tax Ordinance, 2001 (as inserted by Finance Act 2015 and amended by Finance Act 2016 and Finance Act 2017).

Rupees '000	September 30, 2017	September 30, 2016
15. EARNINGS PER SHARE		
Profit after taxation from continuing operations	2,251,638	1,631,726
(Loss) / profit after taxation from discontinued operation	(35,695)	158,309
	Number of shares	
Weighted average number of shares outstanding during the period	318,467,278	318,467,278
Earnings per share - continuing operations	Rs. 7.07	Rs. 5.12
(Loss) / earnings per share - discontinued operation	Re. (0.11)	Re. 0.50
Earnings per share - basic	Rs. 6.96	Rs. 5.62

15.1 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	September 30, 2017	September 30, 2016
16. CASH GENERATED FROM OPERATIONS		
Profit before taxation	3,637,694	3,042,929
Add / (less): Adjustments for non-cash charges and other items		
Depreciation and impairment	641,402	545,731
Provision for / (reversal of) slow moving, obsolete and damaged stock-in-trade net of stock written off	5,385	(140,124)
Gain on disposal of operating fixed assets	(25,626)	(17,346)
Provision for staff retirement benefits	163,592	142,393
Profit before working capital changes	4,422,447	3,573,583
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Stores and spares	17,036	(34,818)
Stock-in-trade	(394,295)	(545,772)
Trade debts	(1,050,423)	(267,432)
Loans and advances	(196,767)	184,659
Trade deposits and prepayments	(108,960)	(63,062)
Interest accrued	7,819	6,380
Refunds due from the government	21,397	36,261
Other receivables	(50,676)	(286,754)
	(1,754,869)	(970,538)
Increase / (decrease) in current liabilities		
Trade and other payables	(428,458)	124,220
Provisions	31,569	(4,572)
	(2,151,758)	(850,890)
	2,270,689	2,722,693

Selected Notes *to and* Forming Part of the Condensed *Interim* Financial Information

For the nine months ended September 30, 2017 (Un-audited)

Rupees '000	September 30, 2017	September 30, 2016
17. CASH AND CASH EQUIVALENTS		
Cash and bank balances	2,179,551	2,087,000
Short term investments - Treasury bills	448,519	396,469
	2,628,070	2,483,469

18. TRANSACTIONS WITH RELATED PARTIES

Relationship Rupees '000	Nature of transactions	September 30, 2017	September 30, 2016
Holding Company	Dividend	1,578,179	980,722
Associated companies:			
	a. Royalty expense charged	208,196	209,303
	b. Purchase of goods	3,664,844	4,129,788
	c. Purchase of property, plant and equipment	-	129,712
	d. Sale of goods	2,926,846	1,576,620
	e. Recovery of expenses	90,610	64,540
	f. Service fee on clinical trial studies	-	287
	i. Services fees	9,000	6,000
	g. Sales as an agent of GlaxoSmithKline Consumer Healthcare Pakistan Limited	4,530,684	2,258,776
Staff retirement funds:			
	a. Expense charged for retirement benefit plans	168,991	145,653
	b. Payments to retirement benefit plans	110,504	75,113
Key management personnel:			
	a. Salaries and other employee benefits	151,912	133,683
	b. Post employment benefits	11,154	9,560
	c. Proceeds from sale of fixed assets	3,102	11,616

19. SUBSEQUENT EVENT

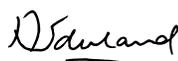
The Board of Directors in its meeting held on October 26, 2017 announced an interim cash dividend of Rs. 3.0 per share (2016: Rs. Nil) amounting to Rs. 955 million.

20. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was approved and authorised for issue by the Board of Directors of the Company on October 26, 2017.



M. Azizul Huq
Chief Executive Officer



Abdul Samad
Chief Financial Officer



Mehmood Mandviwalla
Director



do more
feel better
live longer



GlaxoSmithKline Pakistan Limited

35 - Dockyard Road, West Wharf, Karachi - 74000

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