



do more  
feel better  
live longer

# By Doing What Matters

Half Yearly Report **2016**  
GlaxoSmithKline Pakistan Limited

# 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. Nicolas Ragot  
*Non-Executive Director*

\*Mr. Sohail Ahmed  
*Non-Executive Director*

## Audit Committee

Mr. Husain Lawai  
*Chairman*

Mr. Mehmood Mandviwalla  
*Member*

Mr. Nicolas Ragot  
*Member*

Mr. Dylan Jackson  
*Member*

## 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  
*Director Medical Pakistan*

Mr. Khalid Mehmood Sethi  
*Business Unit Director*

Dr. Tariq Farooq  
*Business Unit Director*

Ms. Zainab Hameed  
*Head of IT*

Syed Muhammad Salman Haider  
*Director Commercial Excellence and  
Speciality Business Unit*

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*

\* Syed Azeem Abbas Naqvi - Non Executive Director - Retired as of August 6, 2016



### **Company Secretary**

Syed Azeem Abbas Naqvi

### **Auditors**

A. F. Ferguson & Co.  
Chartered Accountants

### **Chief Financial Officer**

Mr. Abdul Samad

### **Legal Advisors**

Mandviwalla & Zafar  
Orr, Dignam & Co.  
RIAA Barker Gillette  
Vellani & Vellani

### **Chief Internal Auditor**

Mr. Talal Javed Ahmed

### **Registered Office**

35 - Dockyard Road, West Wharf,  
Karachi - 74000.

### **Bankers**

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

Tel: 92-21-111-475-725  
(111-GSK-PAK)  
Fax: 92-21-32314898, 32311122

Website: [www.pk.gsk.com](http://www.pk.gsk.com)

# Chief Executive Officer's Review

*I am pleased to present your Company's un-audited financial information for the half year ended June 30, 2016. This financial information is submitted in accordance with Section 245 of the Companies Ordinance, 1984.*

## Review of Operating Results

Turnover of the company for the first half year was recorded at Rs. 12.9 billion, which includes sales of Rs 803 million to GlaxoSmithKline Consumer Healthcare Pakistan Ltd. under third party contract manufacturing arrangement. Excluding these sales, our core pharmaceutical business achieved sales of Rs 12.1 billion. The company has delivered a steady sales performance despite facing some supply issues over this period. The underlying Pharma growth is 6.8% (excluding exports sales to Afghanistan as these were ended 2015). Key growth drivers in this period were Respiratory, Antibiotics, Analgesics and dermatology portfolios. During this time the company has also launched Seretide Diskus, which is the first dry powder inhaler introduced in Pakistan for the treatment of asthma and COPD.

The Gross margin of your company for the half year ended was 26.4%. A fire incident occurred at the company's third party ware house in June and stock amounting to Rs. 287 million was destroyed which has been written off during the period. Subsequently the management filed a claim with the insurance company with regards to burnt stock. The losses due to the incident are covered by the insurance policy. Excluding the impact of write off the Gross margin showed improvement over the corresponding year due to better sales mix, consolidation of manufacturing operations and Hardship price increases.

Selling, marketing and distribution expenses were recorded at Rs 1.4 billion, a decrease of Rs 148 million, mainly due to a one-off provision for restructuring of our pharmaceutical business recorded in 2015 and delivery of restructuring savings in this period.

Administrative expenses over this period were recorded at Rs 491m, rose by 3.9% over corresponding period mainly reflecting inflationary pressures. During this time, other income also increased by Rs 32 million, this was mainly due to currency exchange gain.

Your Company posted a net profit after tax of Rs 935 million, which depicts an increase of Rs 205 million, primarily due to reasons outlined in the preceding paragraph.

Capital expenditure of Rs 711 million was incurred over the current period (June 30, 2015: Rs 614 million). During this time, the Company invested in plant up-gradation and capacity enhancement initiatives at our Korangi site manufacturing facility.

Over this period, the surplus funds of the company decreased by Rs 2 billion as compared to the year-end balance, mainly due to dividend payment of Rs.1.2 billion and a further payment of Rs. 0.8 billion to GlaxoSmithKline Consumer HealthCare Pakistan Ltd. in line with the demerger of that business.

## Demerger of Consumer HealthCare Business

The Consumer Healthcare business of the company has been demerged with effect from April 1st, 2016 and the assets and liabilities of the Consumer Healthcare business of the Company has been transferred to and vested in GlaxoSmithKline Consumer Healthcare Pakistan Ltd. Accordingly the same is presented as discontinued operations for the period January 1st to March 31st 2016 in the condensed interim financial information.

## Future outlook and Challenges

The Company maintained its focus on executing strategic priorities and will continue to invest in the development of new products as well as building on its diverse portfolio of existing brands.

We continue to believe that Pakistan's Pharma Industry has a great potential for contributing to the national exchequer by generating economic value in terms of providing quality medicines at affordable prices, domestic value addition, creating employment as well as significantly enhancing the country's export revenues. Unfortunately, this potential has not been truly capitalized over the past many years due to the absence of transparent market oriented regulatory policies that are benchmarked with other regional countries. The absence of a rational pricing policy that on one hand ensures sustainable supply of affordable medicines and on the other hand, takes into account the inflationary pressures faced by the industry has impeded the growth of this important sector and severely curtailed its economic potential for the country.

After a decade long concerted effort on the part of the industry, the Government in 2015 finally notified a Drug Pricing Policy. In 2016, we have witnessed the application of the policy that we believe does not reflect the understanding with the industry. The most contentious issue being that the Government has not recognized the legitimate demand of the manufacturers to consider the hardship created by a decade long price freeze. Industry representatives however, are actively involved in dialogue with the government to resolve these issues and reach a sustainable solution.

## 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 Haq**  
Chief Executive Officer  
Karachi  
August 26, 2016

# Auditors' Report to the Members on Review of Interim Financial Information

## Introduction

We have reviewed the accompanying condensed interim balance sheet of GlaxoSmithKline Pakistan Limited as at June 30, 2016 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof for the half year then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarters ended June 30, 2016 and 2015 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2016.

## 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 condensed interim financial information 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 condensed interim financial information as of and for the half year ended June 30, 2016 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.



**A.F Ferguson & Co.**  
Chartered Accountants  
Karachi

Dated: August 30, 2016

Name of the Engagement Partner: Mohammad Zulfikar Akhtar

# Condensed Interim Balance Sheet

as at June 30, 2016

Rupees '000	Note	(Un-audited) June 30 2016	Audited December 31, 2015
<b>NON-CURRENT ASSETS</b>			
Fixed assets	5	7,413,378	7,154,446
Intangibles	6	1,039,072	1,039,072
Long-term loans to employees	7	49,741	49,212
Long-term deposits	8	21,955	21,955
		8,524,146	8,264,685
<b>CURRENT ASSETS</b>			
Stores and spares		197,691	158,564
Stock-in-trade	9	6,184,852	4,707,918
Trade debts		506,871	328,948
Loans and advances	10	236,529	340,491
Trade deposits and prepayments		281,634	123,223
Interest accrued		1,658	10,908
Refunds due from government		53,570	109,125
Other receivables		247,921	313,127
Taxation - payments less provision		212,296	531,579
Investments	11	298,965	695,586
Cash and bank balances	12	1,275,252	2,946,612
		9,497,239	10,266,081
<b>Assets of disposal groups classified as held for sale / disposal</b>	13	173,026	1,589,416
		18,194,411	20,120,182
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital		3,184,672	3,184,672
Reserves		8,627,694	9,885,539
		11,812,366	13,070,211
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Staff retirement benefits		15,089	15,861
Deferred taxation		649,415	630,681
		664,504	646,542
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	5,508,701	5,255,587
Provisions	15	200,946	187,113
		5,709,647	5,442,700
<b>Liabilities of disposal groups classified as held for sale / disposal</b>	13	7,894	960,729
Total liabilities		6,382,045	7,049,971
Contingencies and commitments	16		
Total equity and liabilities		18,194,411	20,120,182

The annexed notes 1 to 26 form an integral part of this condensed interim financial information.

  
**M. Azizul Huq**  
 Chief Executive Officer

  
**Abdul Samad**  
 Chief Financial Officer

# Condensed Interim Profit and Loss Account

For the half year ended June 30, 2016 (Un-audited)

Rupees '000	Note	Quarter ended		Half year ended	
		June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
<b>CONTINUING OPERATIONS:</b>					
Net sales	17	6,804,128	5,943,657	12,916,465	11,676,562
Cost of sales		(5,206,613)	(4,369,583)	(9,510,709)	(8,536,140)
Gross profit		1,597,515	1,574,074	3,405,756	3,140,422
Selling, marketing and distribution expenses	18	(696,535)	(911,028)	(1,355,368)	(1,502,986)
Administrative expenses		(245,103)	(242,560)	(490,813)	(472,244)
Other operating expenses		(50,919)	(48,471)	(137,921)	(107,842)
Other income	19	94,714	69,887	196,516	164,037
Operating profit		699,672	441,902	1,618,170	1,221,387
Financial charges		(3,872)	(4,609)	(8,598)	(9,928)
Profit before taxation		695,800	437,293	1,609,572	1,211,459
Taxation	20	(333,815)	(175,869)	(675,049)	(481,717)
Profit after taxation from continuing operations		361,985	261,424	934,523	729,742
<b>DISCONTINUED OPERATIONS:</b>					
Profit after taxation from discontinued operations	13	1,996	57,322	138,816	103,147
Other comprehensive income		-	-	-	-
Total comprehensive income		363,981	318,746	1,073,339	832,889
Earnings per share - basic	21				
- continuing operations		Rs. 1.14	Re. 0.82	Rs. 2.93	Rs. 2.29
- discontinued operations		Re. 0.01	Re. 0.18	Re. 0.44	Re. 0.32
		Rs. 1.15	Re. 1.00	Rs. 3.37	Rs. 2.61

The annexed notes 1 to 26 form an integral part of this condensed interim financial information.

  
**M. Azizul Huq**  
 Chief Executive Officer

  
**Abdul Samad**  
 Chief Financial Officer

# Condensed Interim Cash Flow Statement

For the half year ended June 30, 2016 (Un-audited)

Rupees '000	Note	June 30, 2016	June 30, 2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	22	999,437	1,530,878
Staff retirement benefits paid		(44,736)	(40,264)
Income taxes paid		(410,352)	(514,963)
(Increase) / decrease in long-term loans to employees		(602)	8,016
Net cash generated from operating activities		543,747	983,667
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(710,842)	(613,956)
Proceeds from sale of operating assets		59,969	43,765
Net cash used in investing activities		(650,873)	(570,191)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		(1,191,962)	(1,492,629)
Cash transferred to GlaxoSmithKline Consumer Healthcare Pakistan Limited	1	(768,893)	-
Net cash used in financing activities		(1,960,855)	(1,492,629)
Net decrease in cash and cash equivalents		(2,067,981)	(1,079,153)
Cash and cash equivalents at beginning of the period		3,642,198	2,652,111
Cash and cash equivalents at end of the period	23	1,574,217	1,572,958

The annexed notes 1 to 26 form an integral part of this condensed interim financial information.

  
**M. Azizul Haq**  
 Chief Executive Officer

  
**Abdul Samad**  
 Chief Financial Officer

# Condensed Interim Statement of Changes in Equity

For the half year ended June 30, 2016 (Un-audited)

	Share Capital	Reserves			Total
		Capital	Revenue		
			Reserve arising on amalgamation	General reserve	
Rupees '000					
<b>Balance as at January 1, 2015</b>	3,184,672	2,184,238	3,999,970	2,576,223	11,945,103
Final dividend for the year ended December 31, 2014 @ Rs. 5 per share	-	-	-	(1,592,336)	(1,592,336)
Total comprehensive income for the half year ended June 30, 2015	-	-	-	832,889	832,889
<b>Balance as at June 30, 2015</b>	<u>3,184,672</u>	<u>2,184,238</u>	<u>3,999,970</u>	<u>1,816,776</u>	<u>11,185,656</u>
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)
Transfer to GlaxoSmithKline Consumer Healthcare Pakistan Limited pursuant to the Scheme - note 1.1 & 13.3	-	(1,057,315)	-	-	(1,057,315)
Total comprehensive income for the half year ended June 30, 2016	-	-	-	1,073,339	1,073,339
<b>Balance as at June 30, 2016</b>	<u>3,184,672</u>	<u>1,126,923</u>	<u>3,999,970</u>	<u>3,500,801</u>	<u>11,812,366</u>

The annexed notes 1 to 26 form an integral part of this condensed interim financial information.

  
**M. Azizul Huq**  
 Chief Executive Officer

  
**Abdul Samad**  
 Chief Financial Officer

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

*For the half year ended June 30, 2016 (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.

### 1.1. DISCONTINUED OPERATION

Consequent to the submission of order of the High Court approving the Scheme of Arrangement for de-merger of the Company to the Registrar of Companies on April 1, 2016, assets and liabilities of Consumer Healthcare Division as at March 31, 2016, as detailed in note 13.3 to this condensed interim financial information, were transferred to GlaxoSmithKline Consumer Healthcare Pakistan Limited. Accordingly the same is presented as discontinued operations for the period January 1 to March 31, 2016 in this condensed interim financial information.

## 2 BASIS OF PREPARATION

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, 2015.

### 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, 2016, and are considered to be relevant to the Company's operations.

IAS 1, 'Presentation of financial statements' aims to improve presentation and disclosure in financial statements by emphasising the importance of understandability, comparability and clarity in presentation.

The amendments provide clarification on a number of issues, including:

- Materiality - an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.
- Notes – confirmation that the notes do not need to be presented in a particular order.
- Other Comprehensive Income (OCI) - arising from investments accounted for under the equity method - the share of the OCI arising from equity - accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of comprehensive income.

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 but not relevant**

Except as stated above, the new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2016, are considered not to be relevant for Company's financial statements and hence have not been detailed here.

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

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 for 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, 2015.

- 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, 2015, 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 / distribution 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, 2015.

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, 2015.

Rupees '000	Un-audited June 30, 2016	Audited December 31, 2015
<b>5. FIXED ASSETS</b>		
Operating assets - note 5.1	5,430,727	5,387,352
Capital work-in-progress	1,903,969	1,686,580
Major spare parts and standby equipments - note 5.1	78,682	80,514
	7,413,378	7,154,446

# Selected Notes to and Forming Part of the Condensed Interim Financial Statements

For the half year ended June 30, 2016 (Un-audited)

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

Rupees '000	Additions (at cost)		Disposals (at net book value)	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Improvements on buildings	25,052	24,883	-	-
Plant and machinery	176,787	96,931	7,995	4,782
Furniture and fixtures	9,445	1,525	-	-
Vehicles	126,621	77,794	34,963	51,467
Office equipments	23,334	20,462	1,259	621
Major spare parts and standby equipments	6,191	24,105	8,023	19,969
	367,430	245,700	52,240	76,839

## 6. INTANGIBLES

Rupees '000	Un-audited June 30, 2016	Audited December 31, 2015
Goodwill	955,742	955,742
Marketing authorisation rights	83,330	83,330
	1,039,072	1,039,072

## 7. LONG-TERM LOANS TO EMPLOYEES

These loans have been given in accordance with the terms of employment for purchase of house, motor car, motor cycle, computer and for the purpose of staff welfare and are repayable in 12 to 60 equal monthly installments depending upon the type of the loan. These loans are interest free except loans amounting to Rs. 110 thousand (December 31, 2015: Rs. 120 thousand) which carry interest ranging from 5% to 8% per annum (December 31, 2015: 5% to 8% per annum). These loans are secured against the retirement fund balances.

## 8. LONG-TERM DEPOSITS

These security deposits do not carry any interest or mark up.

## 9. STOCK-IN-TRADE

9.1 Stock-in-trade includes items costing Rs. 1.55 billion (December 31, 2015: Rs. 1.2 billion) valued at net realisable value of Rs. 1.43 billion (December 31, 2015: Rs. 1.03 billion).

9.2 Stock of Rs. 70.10 million (December 31, 2015: Rs. 298.46 million) have been written off against provision during the period.

9.3 A fire incident occurred on June 24, 2016 at one of the Company's third party warehouses located at main Hawksbay Road, Karachi. The Company's management has ascertained that stocks amounting to Rs. 287.29 million were destroyed at the warehouse and the same has been written off in the condensed interim financial information.

Subsequent to June 30, 2016, the management has filed a claim with the Insurance Company with regards to the burnt stock. After correspondence with the Insurance Company pursuant to filing the claim, management believes that the losses due to the incident are adequately covered by the insurance policy.

**10. LOANS AND ADVANCES**

These advances do not carry any mark up arrangement.

Rupees '000	Un-audited June 30, 2016	Audited December 31, 2015
<b>11. INVESTMENTS</b>		
3 months treasury bill - at amortised cost	298,965	695,586
<b>12. CASH AND BANK BALANCES</b>		
With banks		
on deposit accounts - conventional banks	1,050,000	2,400,000
on savings accounts with:		
- conventional banks	101,774	191,823
- islamic bank	1,878	1,856
on current accounts with:		
- conventional banks	111,993	346,157
Cash and cheques in hand	9,607	6,776
	1,275,252	2,946,612

**13. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS**

Rupees '000	Quarter ended		Half year ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
<b>13.1 Profit after taxation from discontinued operations:</b>				
Net sales	47,396	1,311,661	1,716,516	2,664,961
Cost of sales	(41,483)	(875,877)	(1,079,375)	(1,831,551)
Gross profit	5,913	435,784	637,141	833,410
Selling, marketing and distribution expenses	-	(278,255)	(391,035)	(573,130)
Administrative expenses	-	(20,885)	(22,339)	(41,457)
Other operating expenses	(584)	(10,191)	(16,866)	(17,393)
Profit before taxation	5,329	126,453	206,901	201,430
Taxation	(3,333)	(69,131)	(68,085)	(98,283)
Profit after taxation	1,996	57,322	138,816	103,147

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

For the half year ended June 30, 2016 (Un-audited)

Rupees '000	Un-audited June 30, 2016	Audited December 31, 2015
<b>13.2 Assets and liabilities of disposal group classified as discontinued operations:</b>		
<b>ASSETS</b>		
Fixed assets	-	41,173
Long-term loans to employees	-	622
Deferred taxation	-	6,758
Stock-in-trade	173,026	1,245,385
Trade debts	-	191,322
Loans and advances	-	44,371
Other receivables	-	59,785
<b>Total assets</b>	<b>173,026</b>	<b>1,589,416</b>
<b>LIABILITIES</b>		
Trade and other payables	7,894	960,729
<b>Net assets</b>	<b>165,132</b>	<b>628,687</b>

**13.2.1** Net assets of the discontinued operations includes the Oncology business of the Company as at June 30, 2016. Net assets of the discontinued operations as at December 31, 2015 includes the Oncology business and the Consumer Healthcare Division as detailed in note 1.1.

**13.3** As mentioned in note 1.1, following assets and liabilities of Consumer Healthcare Division as at March 31, 2016 were transferred to GlaxoSmithKline Consumer Healthcare Pakistan Limited pursuant to the Scheme of Arrangements for de-merger of the Company:

Rupees '000	March 31, 2016
<b>ASSETS</b>	
Fixed assets	71,237
Deferred taxation	11,993
Long-term loans to employees	695
Stock-in-trade	662,743
Trade debts	233,219
Loans and advances	2,752
Other receivables	15,665
Cash and bank balances	768,893
<b>Total assets</b>	<b>1,767,197</b>
<b>LIABILITIES</b>	
Trade and other payables	709,882
<b>Net assets</b>	<b>1,057,315</b>

Rupees '000	June 30, 2016	June 30, 2015
<b>13.4 Cash flows relating to discontinued operations for the half year ended:</b>		
Net cash generated / (used in) from operating activities	1,582,116	(281,056)
Net cash used in investing activities	(37,443)	(734)

Rupees '000	Un-audited June 30, 2016	Audited December 31, 2015
<b>14. TRADE AND OTHER PAYABLES</b>		
Creditors and bills payable	2,451,548	2,080,113
Accrued liabilities	1,698,552	1,976,622
Others	1,358,601	1,198,852
	<u>5,508,701</u>	<u>5,255,587</u>
<b>15. PROVISIONS</b>		
Balance at the beginning of the period	187,113	177,536
Charge for the period	50,294	262,793
Payments during the period	(36,461)	(253,216)
Balance at the end of the period	<u>200,946</u>	<u>187,113</u>

**15.1** Provisions include restructuring costs and government levies of Rs. 24.73 million and Rs. 176.21 million (December 31, 2015: Rs. 32.54 million and Rs. 154.57 million) respectively.

## **16. CONTINGENCIES AND COMMITMENTS**

**16.1** Following is the change in the status of contingencies as reported in the financial statements for the year ended December 31, 2015:

### **a) Income Tax**

- (i)** During the period, while finalising the assessments of the Company for tax year 2014 (accounting year December 31, 2013), the Deputy Commissioner Inland Revenue (DCIR) 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 has filed an appeal with the Commissioner of Inland Revenue Appeals (CIRA) in respect of the said matter.
- (ii)** During the period, the tax department has initiated the set-aside proceedings of monitoring of withholding tax for the tax year 2012. In the said order the tax demand has been restricted amounting Rs. 15.5 million. Such demand has been made on the contention that the Company has not deducted tax @ 20% at the time of making payment on account of meetings and symposia under section 156 of Income Tax Ordinance 2001. The Company has filed an appeal before CIRA against the order of DCIR.

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

*For the half year ended June 30, 2016 (Un-audited)*

- (iii) During the period, as a result of monitoring proceedings of withholding tax for the tax year 2015 Assistant Commissioner Inland Revenue (ACIR) issued a notice under section 161 (1A) / 205 of the Income Tax Ordinance, 2001. Such notice has been issued with the contention that the Company has allegedly not deducted applicable withholding taxes under section 149, 150, 152, 153, 156, 233 and 236 (A) of the said Ordinance. The Company has filed a civil suit before the Honourable Sindh High Court against the said notice. The Honourable Sindh High Court has granted stay against the recovery proceedings.

The management, based on advice of its legal counsel, is confident that the ultimate decision in the above cases will be in favour of the Company, hence, no provision has been made in respect of the aforementioned tax demand.

## (b) Sales Tax

- (i) During the period, Commissioner has raised a demand of Rs. 48.3 million for accounting year 2013, in respect of few products of Company on the ground that the products are neither medicines nor drugs which are exempt from levy of sales tax (as per SRO 551(I)/2008) etc. Company's appeal is pending with Commissioner Inland Revenue (Appeals).

The management is confident that the ultimate decision in the above case will be in favour of the Company, hence no provision has been made in respect of the aforementioned tax demand.

- 16.2** Commitments for capital expenditure outstanding as at June 30, 2016, amounted to Rs. 862.45 million (December 31, 2015: Rs. 704.18 million).

## 17. NET SALES

- 17.1** This includes sales of Over the Counter Products amounting to Rs. 803.71 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').
- 17.2** During the year ended December 31, 2015, the Drug Regulatory Authority of Pakistan (DRAP) issued the Drug Pricing Policy 2015 (the Policy) vide a notification dated March 5, 2015. Under the Policy, hardship cases of scheduled molecules submitted on specified form and complete in all respect were required to be decided within nine months from the date of notification of the Policy. Prior to the issuance of the Policy, the Company had submitted hardship cases for price increase and committee was formed to evaluate and recommend price increase for the products.

Since the Committee did not give any decision on the price increase within the stipulated nine months, in order to avail hardship price increase, the Company filed a suit before the High Court of Sindh ('SHC') against DRAP. The SHC has passed an interim order in this regard, and accordingly has notified to DRAP and Federation of Pakistan not to take any coercive action against the Company in respect of hardship price increases taken by the Company.

The management of the Company believes that there are strong grounds to support the Company's stance on the price increase matter and hardship cases will eventually be decided in favour of the Company.

## 18. SELLING, MARKETING AND DISTRIBUTION EXPENSES

This includes advertising and sales promotion expenses of Rs. 308.99 million (June 30, 2015: Rs. 272.19 million).

Rupees '000	Quarter ended		Half year ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
<b>19. OTHER INCOME</b>				
<b>Income from financial assets</b>				
Return on Treasury Bills	8,459	10,482	20,959	23,553
Income on savings and deposit accounts with conventional banks	32,475	19,463	79,261	66,092
	40,934	29,945	100,220	89,645
<b>Income from non-financial assets</b>				
Gain on disposal of operating assets	8,077	10,775	15,753	18,289
<b>Others</b>				
Scrap sales	11,317	11,657	20,139	23,573
Insurance commission	6,523	16,372	22,128	22,729
Service fee on clinical trial studies	65	446	287	735
Liabilities no longer payable	94	692	8,301	767
Exchange gain - net	27,704	-	29,688	8,299
	94,714	69,887	196,516	164,037

**20. TAXATION**

- 20.1** This includes prior year charge of super tax amounting to Rs. 105.8 million (June 30, 2015: Rs. 114.4 million) imposed for rehabilitation of temporarily displaced persons under section 4B of the Income Tax Ordinance, 2001 (as inserted by Finance Act 2015 amended by Finance Act 2016).

Rupees '000	June 30, 2016	June 30, 2015
<b>21. EARNINGS PER SHARE</b>		
Profit after taxation from continuing operations	934,523	729,742
Profit after taxation from discontinued operation - refer note 13.1 & 1.1	138,816	103,147
	<b>Number of shares</b>	
Weighted average number of shares outstanding during the period	318,467,278	318,467,278
Earnings per share - continuing operations	Rs. 2.93	Rs. 2.29
Earnings per share - discontinued operation	Re. 0.44	Re. 0.32
Earnings per share - basic	Rs. 3.37	Rs. 2.61

- 21.1** 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.

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

For the half year ended June 30, 2016 (Un-audited)

Rupees '000	June 30, 2016	June 30, 2015
<b>22. CASH GENERATED FROM OPERATIONS</b>		
Profit before taxation	1,816,473	1,412,889
<b>Add / (less): Adjustments for non-cash charges and other items</b>		
Depreciation and impairment	273,647	250,862
Gain on disposal of operating fixed assets	(15,753)	(18,289)
Provision for staff retirement benefits	94,891	71,422
Profit before working capital changes	2,169,258	1,716,884
<b>Effect on cash flow due to working capital changes</b>		
(Increase) / decrease in current assets		
Stores and spares	(39,127)	4,839
Stock-in-trade	(1,067,318)	(361,869)
Trade debts	(219,820)	(251,262)
Loans and advances	145,581	(322,051)
Trade deposits and prepayments	(158,411)	(101,022)
Interest accrued	9,250	3,851
Refunds due from the government	55,555	63
Other receivables	58,399	89,553
	(1,215,891)	(937,898)
Increase / (decrease) in current liabilities		
Trade and other payables	32,237	517,554
Provisions	13,833	234,338
	(1,169,821)	(186,006)
	999,437	1,530,878
<b>23. CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	1,275,252	1,474,396
Short term investments - Treasury bills	298,965	98,562
	1,574,217	1,572,958

**24. TRANSACTIONS WITH RELATED PARTIES**

Rupees '000		June 30, 2016	June 30, 2015
<b>Relationship</b>	<b>Nature of transactions</b>		
Holding company:	Dividend paid	980,722	1,226,002
Associated companies:	a. Royalty expense charged	134,340	108,908
	b. Purchase of goods	2,961,863	2,354,794
	c. Purchase of property, plant and equipment	42,103	-
	d. Sale of goods	844,919	60,500
	e. Recovery of expenses	34,105	10,173
	f. Service fee on clinical trial studies	287	735
	g. Sales as an agent of GlaxoSmithKline Consumer Healthcare Pakistan Limited	1,094,416	-
Staff retirement funds:	a. Expense charged for retirement benefit plans	96,219	124,722
	b. Payments to retirement benefit plans	49,389	91,064
Key management personnel:	a. Salaries and other employee benefits	95,430	124,522
	b. Post employment benefits	6,300	12,844
	c. Proceeds from sale of fixed assets	11,616	1,395

**25. CORRESPONDING FIGURES**

Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison, the effects of which is not material.

**26. 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 August 26, 2016.

  
**M. Azizul Huq**  
 Chief Executive Officer

  
**Abdul Samad**  
 Chief Financial Officer



do more  
feel better  
live longer

**GlaxoSmithKline Pakistan Limited**

35 - Dockyard Road, West Wharf, Karachi - 74000

GlaxoSmithKline Pakistan Limited is a member of  
GlaxoSmithKline group of Companies.

© GlaxoSmithKline Pakistan Limited