

# Interdependence **drives** us

GlaxoSmithKline Pakistan Limited  
**First Quarter Report 2019**

# Corporate Information

as at March 31, 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

**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

## 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



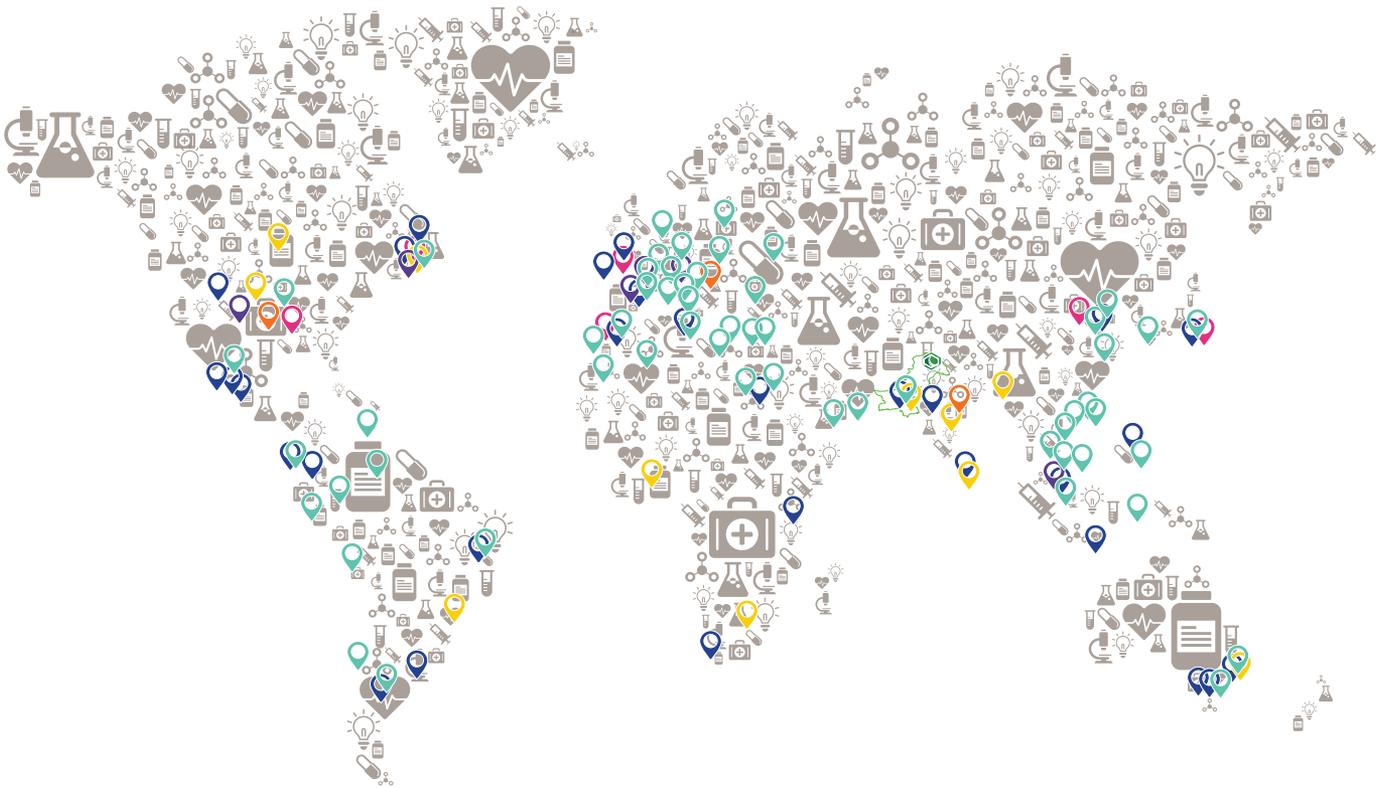
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TRUST  
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# Geographical Presence



-  Biologicals
-  Corporate
-  Consumer Healthcare
-  GMS
-  Pharmaceuticals
-  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 period ended March 31, 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. 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. 8.4 billion during the first quarter of 2019, under a volatile and challenging economic environment. Total sales also include intercompany sales of Rs. 1.1 billion to GlaxoSmithKline Consumer Healthcare Pakistan Ltd. on account of products manufactured by the Company, pending transfer of market authorization. The pharmaceutical business sales were lower by 8.8% during the period, mainly due to tender business supply phasing.

Gross profit for the quarter was at 23.7%, a decline of 5.4% which was consequential to rupee devaluation, rising utilities costs and inflation. The Company continues to focus on sustainability measures to drive cost efficiencies in manufacturing operations.

Selling, marketing and distribution expenses were recorded at Rs. 1.2 billion, an increase of Rs. 0.3 billion over the corresponding quarter last year. The main increase during the period is due to a one-off severance cost to restructure our sales operations. Excluding this one-off cost, the expenses under this head registered a decline compared to prior period. Administrative expenses were recorded at Rs. 0.3 billion; an increase of 12.8% which mainly reflects general inflation. Other income totaled Rs. 0.3 billion, an increase of Rs. 0.29 billion from last year, which was mainly on account of promotional allowance received during the period.

Overall, your Company posted an after-tax net profit of Rs. 533 million, a decline of 41.7% over corresponding period last year. Excluding the impact of one-off severance cost, the profit is lower by 17.2% impacted by Rupee devaluation and rising inflation.

Capital expenditure of Rs. 198 million was incurred during the current period (March 31, 2018: Rs. 256 million). During this period, the Company invested on plant up-gradation, capacity enhancement initiatives and consolidation of operations.

The surplus cash of Company is Rs 1.9 billion showing decline of Rs 1.5 billion compared to the year end balances mainly due to stock build for ERP implementation at the manufacturing sites.

### Outlook and Challenges:

Being one of the key countries within the Emerging Markets cluster, GSK continues to have high expectations both in terms of growth and profitability from the Pakistan business.

Due to the macroeconomic measures adopted to stabilize the economy and improve the balance of payments, it is likely that economic growth will slow down in 2019. Accordingly, various agencies have downgraded their growth outlook for Pakistan. A further challenge will be the continuing impact of devaluation as the year progresses.

At the end of 2018 and beginning of 2019, the Drug Regulatory Authority of the Federal Government of Pakistan (DRAP) issued two long-awaited SROs pertaining to the Pharmaceutical industry. Through the first SRO, the Government settled long standing hardship cases for drugs that had become commercially unviable, while the second SRO allows for a one-time adjustment for devaluation that will offset some of the impact faced on this account. The industry is highly appreciative of the Government's farsightedness and support in this respect.

As a responsible corporate citizen, the Company stands committed to continue to work with the Government and other relevant stakeholders to reach sustainable solutions that will enable the growth of the Pharmaceutical sector in the country and ensure the availability and access of affordable quality medicines to the people of Pakistan.

### 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 we 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



Abdul Samad  
Director

Karachi  
April 24, 2019

تھیں، جبکہ دوسرا SRO تخفیف مالیت کے یکبارگی تصفیے کا اہل بناتا ہے جو اس اکاؤنٹ پر پڑنے والے بعض اثرات کو ختم کرے گا۔ انڈسٹری اس حوالے سے حکومت کی دُوراندیشی اور معاونت کو بھرپور انداز میں سراہتی ہے۔

ایک ذمہ دار کاروباری شہری کے طور پر کمپنی، حکومت اور دیگر متعلقہ اسٹیک ہولڈرز کے ساتھ مل کر کام کرنے کے لیے پُر عزم ہے تاکہ ایسے مستحکم حل اور سہولیات تک رسائی پائی جاسکے جو ملک میں فارماسیوٹیکل کے شعبے کی ترقی کی راہ ہموار کریں گی اور پاکستان کے لوگوں کے لیے سستی اور معیاری ادویات کی دستیابی اور رسائی کو یقینی بنائیں گی۔

### GSK پاکستان لمیٹڈ کی مشاہرہ پالیسی برائے نان ایگزیکٹیو بورڈ ڈائریکٹرز

گلکسیو اسمتھ کلائن پاکستان لمیٹڈ کے نان ایگزیکٹیو بورڈ ڈائریکٹرز فارمانڈسٹری اور اسی طرز کے دیگر کاروبار کے بازاری بیانیے کی بنیاد پر، ہیومن ریسورسز اور مشاہرہ کمیٹی کی جانب سے منظور کردہ مشاہرے کے مجاز ہوں گے۔

### ستائشی کلمات/اعتراف نامہ:

بورڈ کی طرف سے، میں اپنے اسٹاف کی پُر خلوص کاوشوں اور جذبے کو خراج تحسین پیش کرتا ہوں، جنہوں نے اس میعاد میں کمپنی کے مقاصد کی تکمیل میں اہم کردار ادا کیا۔

حسب الحکم بورڈ



عبدالصمد

ڈائریکٹر



ایم عزیز الحق

چیف ایگزیکٹیو آفیسر

### عملی کارکردگی کے نتائج کا جائزہ:

غیر مستحکم اور مشکل معاشی صورتحال کے تحت، کمپنی نے 2019 کی پہلی سہ ماہی میں 8.4 بلین روپے کی خالص سیلز حاصل کیں۔ مجموعی سیلز میں کمپنی کی جانب سے تخلیق کردہ پراڈکٹس، مارکیٹ کی تصدیق کی زیر التواء منتقلی کے باعث گلیکسو اسمتھ کلائن کنزیومر ہیلتھ کیئر پاکستان لمیٹڈ کو، کی جانے والی 1.1 بلین روپے کی باہمی کمپنی کی سیلز بھی شامل ہیں۔ اس سہ ماہی میں فارماسیوٹیکل بزنس کی سیلز 8.8 فیصد کم رہیں، جس کی بنیادی وجہ ٹینڈر بزنس کی فراہمی کے عمل سے گزرنے کا تھا۔

زیر جائزہ سہ ماہی میں آپ کی کمپنی کا مجموعی منافع 5.4 فیصد کی تنزلی کے ساتھ 23.7 فیصد رہا، جس کی بنیادی وجہ روپے کی قدر میں کمی، افادہ عام کی اشیاء کی لاگت میں اضافہ اور افراط زر تھی۔ کمپنی، مینوفیکچرنگ کے عمل میں کم لاگت پر مبنی موثر پیداوار اہلیت کے لیے پائیدار اقدامات پر مسلسل توجہ مرکوز کیے ہوئے ہے۔

فروخت، مارکیٹنگ اور تقسیم کے اخراجات 1.2 بلین روپے ریکارڈ کیے گئے، جو کہ گزشتہ سال کی اسی سہ ماہی کے مقابلے میں 0.3 بلین روپے کا اضافہ ظاہر کرتے ہیں۔ اس میعاد کے دوران یہ بنیادی اضافہ ہماری سیلز کے عمل کی تنظیم نو کے لیے یکمشت ادائیگی کے تصفیے کے باعث ہوا۔ اس یکمشت ادائیگی سے قطع نظر، اس شعبے کے تحت اخراجات میں گزشتہ میعاد کے مقابلے میں کمی آئی۔ انتظامی اخراجات 12.8 فیصد کے اضافے کے ساتھ 0.3 بلین روپے ریکارڈ کیے گئے جو بنیادی طور پر افراط زر کو ظاہر کرتے ہیں۔ دیگر آمدنی 0.3 بلین روپے رہی، گویا اس میں گزشتہ سال کے مقابلے میں 0.29 بلین روپے کا اضافہ ہوا، جس کی بنیادی وجہ اس میعاد کے دوران تشہیری الاؤنس کی وصولی تھی۔

مجموعی طور پر آپ کی کمپنی نے گزشتہ سال کی اسی میعاد کے مقابلے میں 41.7 فیصد کمی کے ساتھ 533 ملین روپے کا بعد از ٹیکس خالص منافع حاصل کیا۔ یکمشت تصفیاتی لاگوں کو خارج کر دیا جائے، تو منافع میں 17.2 فیصد سے کمی آئی ہے، جس کی وجہ روپے کی قدر میں کمی اور افراط زر کا ہونا ہے۔

حالیہ میعاد کے دوران 198 ملین روپے کے سرمایہ جاتی اخراجات ریکارڈ کیے گئے (31 مارچ 2018: 256 ملین روپے)۔ اس میعاد کے دوران، کمپنی نے پلانٹ کی آپ گریڈیشن، پیداواری گنجائش میں اضافے کے اقدامات اور پیداواری عمل کے استحکام کے لیے سرمایہ کاری کی۔

کمپنی کی فاضل رقم اختتام سال کے میزانیوں کے مقابلے میں 1.5 بلین روپے کی کمی کے ساتھ 1.9 بلین روپے رہی جس کی بڑی وجہ مینوفیکچرنگ سائنس پر ERP کے نفاذ کے لیے اسٹاک جمع کرنا تھا۔

### آئندہ کا منظر نامہ اور پیش آمدہ مسائل:

ابھرتی ہوئی مارکیٹس میں ایک بنیادی ملک ہونے کی حیثیت سے، GSK کو ترقی و فروغ اور منافع کاری، دونوں لحاظ سے، پاکستان کے بزنس سے بدستور بلند توقعات ہیں۔

معیشت کے استحکام اور ادائیگیوں کے توازن کو بہتر بنانے کے لیے اختیار کردہ کلی معاشی اقدامات کے باعث، امکان ہے کہ 2019 میں معاشی ترقی کی رفتار سست رہے گی۔ چنانچہ مختلف ایجنسیوں نے پاکستان کے لیے اپنی ترقی کے امکانات کا درجہ کم کیا ہے۔ مزید مسائل کا سامنا سال کے آئندہ مہینوں میں روپے کی قدر میں کمی کے مسلسل پڑنے والے اثرات سے ہوگا۔

سال 2018 کے اختتام اور 2019 کے آغاز پر، وفاقی حکومت پاکستان کی ڈرگ ریگولیشن اتھارٹی (DRAP) نے فارماسیوٹیکل انڈسٹری کے حوالے سے دو طویل

# ڈائریکٹرز کا جائزہ

میں آپ کی کمپنی کی غیر آڈٹ شدہ مالیاتی معلومات برائے اختتام سہ ماہی 31 مارچ، 2019 پیش کرتے ہوئے انتہائی خوشی محسوس کر رہا ہوں۔ یہ مالیاتی معلومات، کمپنیز ایکٹ 2017 کے سیکشن 227 کے مطابق جمع کی گئی ہیں۔

بورڈ کی تشکیلی ساخت:

(1) ڈائریکٹرز کی مجموعی تعداد 7 ہے، جس کا تناسب درج ذیل ہے:

(a) مرد:	6
(b) خواتین:	1

(2) بورڈ کی تشکیلی ساخت یہ ہے:

نام	کیٹگری
• ماہین رحمان	خود مختار ڈائریکٹر
• ایم عزیز الحق	ایگزیکٹو ڈائریکٹر
• عبدالصمد	
• محمود مانڈی والا	نان ایگزیکٹو ڈائریکٹر
• اینڈریو ایرسٹیڈو	
• مارک ڈاسن	
• سہیل احمد	

(3) بورڈ نے کمیٹیاں تشکیل دی ہیں جو درج ذیل ارکان پر مشتمل ہیں:

	آڈٹ کمیٹی	(a)
چیئر مین	i - محترمہ ماہین رحمان	
	ii - جناب مارک ڈاسن	
	iii - جناب اینڈریو ایرسٹیڈو	
	iv - جناب محمود مانڈی والا	
سیکرٹری	v - سید احسن اعجاز	
		(b)
		ہیومن ریسورسز اور مشاہرہ کمیٹی
چیئر مین	i - محترمہ ماہین رحمان	
	ii - جناب اینڈریو ایرسٹیڈو	
	iii - جناب محمود مانڈی والا	
	iv - جناب ایم عزیز الحق	
سیکرٹری	v - محترمہ تانیہ زاہد	

# Condensed Interim Statement of Financial Position

As at March 31, 2019

Rupees '000	Note	(Un-audited) March 31, 2019	(Audited) December 31, 2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	8,976,623	8,921,205
Intangibles	5	1,082,072	1,082,072
Long-term loans to employees		93,547	80,785
Long-term deposits		18,260	18,260
		<u>10,170,502</u>	<u>10,102,322</u>
<b>Current assets</b>			
Stores and spares		218,856	270,451
Stock-in-trade		8,599,900	5,944,050
Trade debts		1,616,552	1,594,900
Loans and advances		358,827	247,788
Trade deposits and prepayments		305,992	132,887
Interest accrued		-	1,321
Taxation - payments less provision		237,403	50,972
Refunds due from government		42,320	44,271
Other receivables		295,511	354,534
Investments - at amortised cost	6	193,677	247,840
Cash and bank balances		1,707,922	3,185,011
		<u>13,581,960</u>	<u>12,074,025</u>
<b>Total assets</b>		<u>23,752,462</u>	<u>22,176,347</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		3,184,672	3,184,672
Reserves		12,767,688	12,234,778
		<u>15,952,360</u>	<u>15,419,450</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Staff retirement benefits		384,411	370,799
Deferred taxation		588,182	615,887
Long-term portion of finance lease liabilities		38,468	-
		<u>1,011,061</u>	<u>986,686</u>
<b>Current liabilities</b>			
Trade and other payables	7	6,597,252	5,607,688
Provisions	8	91,510	74,602
Current portion of finance lease liabilities		16,406	-
Unclaimed dividend		83,873	87,921
		<u>6,789,041</u>	<u>5,770,211</u>
<b>Total liabilities</b>		<u>7,800,102</u>	<u>6,756,897</u>
<b>Contingencies and commitments</b>	9		
<b>Total equity and liabilities</b>		<u>23,752,462</u>	<u>22,176,347</u>

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.



**M. Azizul Haq**  
Chief Executive Officer



**Abdul Samad**  
Chief Financial Officer



**Sohail Matin**  
Director

# Condensed Interim Statement of Profit or Loss and other Comprehensive Income

For the Quarter ended March 31, 2019 (Un-Audited)

Rupees '000	Note	March 31, 2019	March 31, 2018
Net sales	10	8,368,051	9,122,557
Cost of sales		(6,384,989)	(6,465,417)
Gross profit		1,983,062	2,657,140
Selling, marketing and distribution expenses	11	(1,154,080)	(888,423)
Administrative expenses		(278,572)	(246,939)
Other operating expenses		(73,913)	(122,983)
Other income	12	342,490	53,203
Operating profit		818,987	1,451,998
Financial charges		(1,364)	(49,151)
Profit before taxation		817,623	1,402,847
Taxation		(284,713)	(488,107)
Profit after taxation		532,910	914,740
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income</b>		532,910	914,740
Earnings per share	13	Rs. 1.67	Rs. 2.87

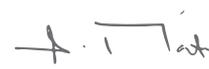
The annexed notes 1 to 17 form an integral part of this condensed interim financial information.



**M. Azizul Haq**  
Chief Executive Officer



**Abdul Samad**  
Chief Financial Officer



**Sohail Matin**  
Director

# Condensed Interim Statement of Cash Flows

For the Quarter ended March 31, 2019 (Un-Audited)

Rupees '000	Note	March 31, 2019	March 31, 2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash (used) / generated from operations	14	(866,518)	260,485
Staff retirement benefits paid		(53,643)	(51,797)
Income taxes paid		(498,849)	(452,828)
Increase in long-term loans to employees		(12,762)	11,072
Net cash used in operating activities		(1,431,772)	(233,068)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(197,604)	(256,314)
Proceeds from sale of operating assets		47,967	12,449
Return received		71,071	30,443
Net cash used in investing activities		(78,566)	(213,422)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment of finance lease liabilities		(11,866)	-
Dividend paid		(4,048)	(59,729)
Net cash used in financing activities		(15,914)	(59,729)
Net decrease in cash and cash equivalents		(1,526,252)	(506,219)
Cash and cash equivalents at beginning of the period		3,432,851	2,167,710
Cash and cash equivalents at end of the period	15	1,906,599	1,661,491

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.



**M. Azizul Haq**  
Chief Executive Officer



**Abdul Samad**  
Chief Financial Officer



**Sohail Matin**  
Director

# Condensed Interim Statement of Changes in Equity

For the Quarter ended March 31, 2019 (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, 2018	3,184,672	1,126,923	3,999,970	5,231,220	13,542,785
Total comprehensive income for the quarter ended March 31, 2018	-	-	-	914,740	914,740
Balance as at March 31, 2018	<u>3,184,672</u>	<u>1,126,923</u>	<u>3,999,970</u>	<u>6,145,960</u>	<u>14,457,525</u>
Balance as at January 1, 2019	3,184,672	1,126,923	3,999,970	7,107,885	15,419,450
Total comprehensive income for the quarter ended March 31, 2019	-	-	-	532,910	532,910
Balance as at March 31, 2019	<u>3,184,672</u>	<u>1,126,923</u>	<u>3,999,970</u>	<u>7,640,795</u>	<u>15,952,360</u>

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.



**M. Azizul Haq**  
Chief Executive Officer



**Abdul Samad**  
Chief Financial Officer



**Sohail Matin**  
Director

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

For the Quarter ended March 31, 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 specialties and pharmaceutical products.

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

- 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

- 2.1** 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.

- 2.2** 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 information has also not been adjusted for the same reason.

### 3.1.4 Changes in accounting policies due to adoption of certain standards

The following changes in accounting policies have taken place effective from January 01, 2019:

### (a) IFRS 16 - Leases

IFRS 16 'Leases' - IFRS 16 replaces the previous lease standard: IAS 17 Leases. It resulted in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low value 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. There is no material impact of adoption of IFRS 16 on opening equity of the Company.

### 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.

Rupees '000	(Un-audited) March 31, 2019	(Audited) December 31, 2018
<b>4. PROPERTY, PLANT AND EQUIPMENT</b>		
Operating assets - note 4.1	8,201,583	8,308,401
Capital work-in-progress	534,786	501,397
Right of use of asset	62,986	-
Major spare parts and standby equipments	177,268	111,407
	8,976,623	8,921,205

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

Rupees '000	Additions (at cost)		Disposals (at net book value)	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Improvements on buildings	10,472	12,056	-	48
Plant and machinery	8,446	37,163	-	1,011
Furniture and fixtures	-	5,942	5,880	-
Vehicles	75,575	29,991	21,572	12,238
Office equipments	15,181	41,554	-	423
	109,674	126,706	27,452	13,720

Rupees '000	(Un-audited) March 31, 2019	(Audited) December 31, 2018
<b>5. INTANGIBLES</b>		
Goodwill	955,742	955,742
Market authorisation rights - note 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.

## **6. INVESTMENTS - AT AMORTISED COST**

This represents treasury bill (December 31, 2018: two treasury bills) which is held with Company's banker for safe custody yielding 10.3% per annum (December 31, 2018: 8.79% to 10.27% per annum) with maturity by April 2019 (December 31, 2018: by February 2019).

Rupees '000	<b>(Un-audited) March 31, 2019</b>	(Audited) December 31, 2018
<b>7. TRADE AND OTHER PAYABLES</b>		
Creditors and bills payable	3,072,267	2,179,889
Accrued liabilities	2,478,602	2,434,966
Others	1,046,383	992,833
	<b>6,597,252</b>	<b>5,607,688</b>
<b>8. PROVISIONS</b>		
Balance at beginning of the year	74,602	411,771
Charge for the period	16,908	260,217
Payments during the period	-	(597,386)
Balance at end of the period	<b>91,510</b>	<b>74,602</b>

## **9. CONTINGENCIES AND COMMITMENTS**

- 9.1** Following is the change in the status of contingencies as reported in annual financial statements for the year ended December 31, 2018:

(i). As a result of monitoring proceedings of withholding taxes for accounting year 2016 (Tax Year 2017), Assistant Commissioner Inland Revenue (ACIR) 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 is in process of filing appeal against the said order before Commissioner Inland Revenue (Appeals).

- 9.2** Commitments for capital expenditure outstanding as at March 31, 2019, amounted to Rs. 643.97 million (December 31, 2018: Rs. 205.18 million).

## **10. NET SALES**

The net sales include sales of OTC products amounting to Rs. 1.07 billion (March 31, 2018: Rs. 1.07 billion) to GSK CH being manufactured by the Company due to pending transfer of marketing authorisations by Drug Regulatory Authority of Pakistan ('DRAP') as disclosed in note 1.1.

## **11. SELLING, MARKETING AND DISTRIBUTION EXPENSES**

This includes advertising and sales promotion expenses of Rs. 123.8 million (March 31, 2018: Rs. 176.9 million).

This also includes one-off severance cost of Rs. 346.1 million incurred to restructure our sales operations.



Rupees '000	<b>March 31, 2019</b>	March 31, 2018
<b>14. CASH GENERATED FROM OPERATIONS</b>		
Profit before taxation	817,623	1,402,847
<b>Add / (less): Adjustments for non-cash charges and other items</b>		
Depreciation and impairment	172,488	129,145
Provision for slow moving, obsolete and damaged stock-in-trade net of stock written off	10,265	9,534
Gain on disposal of operating fixed assets	(20,515)	1,270
Interest income	(69,159)	(28,980)
Provision for staff retirement benefits	67,255	55,583
Profit before working capital changes	977,957	1,569,399
<b>Effect on cash flow due to working capital changes</b>		
(Increase) / decrease in current assets		
Stores and spares	51,595	27,464
Stock-in-trade	(2,666,115)	262,410
Trade debts	(21,652)	(1,004,770)
Loans and advances	(111,039)	49,602
Trade deposits and prepayments	(173,105)	(90,240)
Refunds due from the government	1,951	(16,721)
Other receivables	59,023	22,761
	(2,859,342)	(749,494)
Increase / (decrease) in current liabilities		
Trade and other payables	997,959	(324,868)
Provisions	16,908	(234,552)
	(1,844,475)	(1,308,914)
	(866,518)	260,485
<b>15. CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	19 1,707,922	1,213,724
Investments - at amortised cost	11 198,677	447,767
	1,906,599	1,661,491

Rupees '000	<b>March 31, 2019</b>	March 31, 2018
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## 16. TRANSACTIONS WITH RELATED PARTIES

Relationship	Nature of transactions		
Associated companies:	a. Royalty expense charged	55,637	83,504
	b. Purchase of goods	2,318,804	1,086,826
	c. Sale of goods	1,112,960	1,067,872
	d. Recovery of expenses	98,737	30,201
	e. Service fee	3,000	3,000
	f. Sales as an agent of GSK CH	1,768,464	1,747,567
	g. Promotional allowance	225,000	-
Staff retirement funds:	a. Expense charged for retirement benefit plans	68,542	55,679
	b. Payments to retirement benefit plans	58,384	54,411
Key management personnel:	a. Salaries and other employee benefits	118,948	91,538
	b. Post employment benefits	4,825	3,572
	c. Proceeds from sale of fixed assets	-	1,620

## 17. 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 April 24, 2019.



**M. Azizul Haq**  
Chief Executive Officer



**Abdul Samad**  
Chief Financial Officer



**Sohail Matin**  
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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