

GlaxoSmithKline Pakistan Limited
For the Nine months ended September 30, 2019

GLAXOSMITHKLINE PAKISTAN LIMITED

Corporate Information

as at September 30, 2019

Board of Directors

***Mr. Dmytro Oliinyk**
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. Dmytro Oliinyk
Member
Mr. Mark Dawson
Member
Mr. Mehmood Mandviwalla
Member

Human Resource & Remuneration Committee

Ms. Maheen Rahman
Chairperson
Mr. Dmytro Oliinyk
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
Dr. Tariq Farooq
Business Unit Director 1 - Classic and Established
Products, Vaccines and Dermatology
Khurram Amjad
Director Commercial Excellence & CTC
Dr. Gohar Nayab Khan
Director Regulatory Affairs
Mr. Abdul Haseeb Pirzada
Director Corporate Affairs and Administration
Mr. Muhammad Imran Amin
Country Compliance Officer

Dr. Yousuf Hasan Khan
Director Medical
Syed Nabigh Raza Alam
Tech Head
Mr. Obaid Siddiqui
Head of Procurement
Ms. Tania Zahid
HR Cluster Head - Pakistan and Iran
Ms. Samreen Hashmi Kidwai
Business Unit Director 2 - Classic and Established
Products

Company Secretary

Syed Azeem Abbas Naqvi

Chief Financial Officer

Mr. Abdul Samad

Chief Internal Auditor

Syed Ahsan Ejaz

Bankers

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

Auditors

Deloitte Yousuf Adil & Co. Chartered Accountants

Legal Advisors

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

Registered Office

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

*Mr. Dmytro Oliinyk appointed as director w.e.f August 28, 2019

Directors' Review:

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

Composition of the Board:

1. The total number of Directors are 7 as per the following:

- a) Male: 6
- b) Female: 1

2. The composition of the Board is as follows:

Category	Name
Independent Director	<ul style="list-style-type: none">• Maheen Rahman
Executive Directors	<ul style="list-style-type: none">• M. Azizul Huq• Abdul Samad
Non-Executive Directors	<ul style="list-style-type: none">• Mehmood Mandviwalla• Dmytro Oliinyk• Mark Dawson• Sohail Ahmed
Female Director	<ul style="list-style-type: none">• Maheen Rahman

• The Board has formed committees comprising of members given below:

a) Audit Committee

- i. Ms. Maheen Rahman - Chairperson
- ii. Mr. Mark Dawson
- iii. Mr. Dmytro Oliinyk
- iv. Mr. Mehmood Mandviwalla
- v. Syed Ahsan Ejaz - Secretary

b) HR and Remuneration Committee

- i. Ms. Maheen Rahman - Chairperson
- ii. Mr. Dmytro Oliinyk
- iii. Mr. Mehmood Mandviwalla
- iv. Mr. M Azizul Huq
- v. Ms. Tania Zahid - Secretary

c) Risk Management Committee

- i. RMCB - consisting of Management Team

Review of Operating Results:

During this period the Company achieved net sales of Rs. 25.8 billion, which also includes sales of Rs. 3.2 billion to GlaxoSmithKline Consumer Healthcare Pakistan Limited on account of products manufactured by the Company, pending transfer of market authorization. The pharmaceutical business reflected a growth of 1.8% compared to same period last year, which depicts the impact of the economic slowdown in the country. Our trade business delivered a growth of 8% over this period.

During the quarter under review GSK was contacted by regulatory authorities regarding the detection of genotoxic nitrosamine (NDMA) in ranitidine products and has been responding to their queries. Based on the information received and correspondence with regulatory authorities, GSK made the decision to suspend the release, distribution and supply of all dose forms of ranitidine hydrochloride products to all markets, including Pakistan, as a precautionary action pending the outcome of ongoing tests and investigations. *The financial impact of product recall is covered under note 10.2 of the financial statements.*

GSK Pakistan had proactively informed the Drug Regulatory Authority of Pakistan (DRAP) about the above decision. Subsequently, the DRAP, vide notice dated 23rd September 2019, had advised Pharma Companies to recall all ranitidine-containing products in the market till further orders.

In order to comply with DRAP's instructions, GSK Pakistan recalled all dose forms of Zantac from Distributors and Pharmacies.

GSK is continuing with investigations into the potential source of the NDMA. These investigations include continued engagement with our API suppliers. Patient safety remains our utmost priority and this issue is being taken very seriously.

The gross profit for the quarter under review was at 21.6% a decline of 3.6%. As stated earlier, margins remained under pressure and showed a declining trend due to significant rupee devaluation over the last one year. This also increased the cost of both local and imported materials. Although some of the impact has been offset through a general price increase given during the year, the company is also focusing on internal cost saving and operational efficiency initiatives in the manufacturing area.

Selling, marketing and distribution expenses were recorded at Rs.2.4 billion and expenses under this head remained well controlled. Administrative expenses were recorded at Rs.0.8 billion; an increase of 6% which mainly reflects general inflation.

Other income totaled Rs.1.07 billion, an increase of Rs. 482 million from last year, mainly comprising of promotional allowance. Financial charges in this period totaled Rs 276 million. The increase under this head was mainly due to exchange loss on account of devaluation over this period as compared to last year and running finance charges booked over this time.

With SAP implementation at the manufacturing sites been completed, the inventory levels to cover the planned shutdown have now reduced which has improved our working capital position.

Overall, your Company posted an after-tax net profit of Rs. 1.8 billion, a decrease of 3.9% over the corresponding period last year, primarily due to reasons mentioned above.

Capital expenditure of Rs. 751 million was incurred during the current period (September 30, 2019: Rs. 639million). During this time, the Company invested in plant up-gradation, capacity enhancement initiatives and ongoing consolidation of operations.

Outlook and Challenges

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

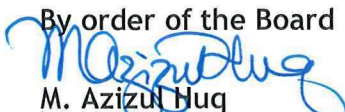
Various agencies and international analysts forecast a further slowdown of the economy for the remaining part of the year as a result of the macroeconomic interventions that the country is going through. There has been significant reduction in the current account deficit. Exchange rate has shown some stability in recent times. However, should the scenario change, any further devaluation will impact the financial outlook.

Remuneration Policy Of GSK Pakistan Limited for Non-Executive Board Directors

The Non-Executive Board Directors of GlaxoSmithKline Pakistan Limited are entitled to remuneration approved by the HR and Remunerations Committee, based on an appropriately developed market benchmark.

Acknowledgment:

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

By order of the Board

M. Azizul Huq
Chief Executive Officer


Abdul Samad
Director

Karachi
October 28, 2019

ڈائریکٹرز کا جائزہ:

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

بورڈ کی تشکیلی ساخت:

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

(a) مرد: 6

(b) خواتین: 1

2۔ بورڈ کی تشکیلی ساخت ذیل میں دی گئی ہے:

کیٹگری

نام

ماہین رحمان

خود مختار ڈائریکٹر

ایم۔ عزیز الحق

عبدالصمد

ایگزیکٹو ڈائریکٹرز

محمود مانڈوی والا

ڈیماٹر اولینک

مارک ڈاسن

سہیل احمد

نان ایگزیکٹو ڈائریکٹرز

ماہین رحمان

خاتون ڈائریکٹر

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

(a) آڈٹ کمیٹی

i۔ محترمہ ماہین رحمان - چیئر پرسن

ii۔ محترم مارک ڈاسن

iii۔ محترم ڈیماٹر اولینک

iv۔ محترم محمود مانڈوی والا

v۔ محترم سید احسن اعجاز - سیکریٹری

(b) ہیومن ریسورس اور مشاہرہ کمیٹی

- i- محترمہ مابین رحمان - چیئر پرسن
- ii- محترم ڈیماٹر اولینک
- iii- محترم محمود مانڈوی والا
- iv- محترم ایم عزیز الحق
- v- محترمہ تانیہ زاہد - سیکریٹری

(c) رسک مینجمنٹ کمیٹی

- i- RMCB - مینجمنٹ ٹیم پر مشتمل

کاروباری عملی نتائج کا جائزہ

اس میعاد کے دوران کمپنی نے 25.8 بلین روپے کی خالص سیلز کا ہدف حاصل کیا، جس میں گلکسو اسمتھ کلائن کنزیومر ہیلتھ کیئر پاکستان لمیٹڈ کو کی گئیں 3.2 بلین روپے کی سیلز بھی شامل ہیں، جس کی وجہ کمپنی کی جانب سے تخلیق کردہ مصنوعات، بازاری مختار نامے کی زیر التواء منتقلی ہے۔ ادویہ سازی کے کاروبار میں گزشتہ سال کی اسی میعاد کے مقابلے میں 1.8 فیصد کی ترقی دیکھنے میں آئی جو ملک میں معاشی سست روی کی غماز ہے۔ اس میعاد کے دوران ہمارے تجارتی کاروبار میں 8 فیصد کی ترقی ہوئی۔

زیر جائزہ سہ ماہی کے دوران، السر کے علاج کے ادویاتی عنصر (ریپیڈ ائن) کی حامل پراڈکٹس میں جینیاتی زہر آلود سرطانی ماڈہ (NDMA) کی موجودگی کے حوالے سے مجاز انضباطی اداروں نے GSK سے رابطہ کیا اور ان کے سوالات کے جواب دیئے جا رہے ہیں۔ موصول شدہ معلومات اور مجاز انضباطی اداروں کے ساتھ مراسلت کی بنیاد پر، GSK نے جاری معائنوں اور تحقیقات کا نتیجہ آنے تک احتیاطی تدبیر کے طور پر پاکستان سمیت تمام مارکیٹس میں السر کے علاج کی ہائیڈرکلورائیڈ پراڈکٹس کی تمام اشکال کی ادویات کا اجراء، تقسیم اور فراہمی، معطل کرنے کا فیصلہ کیا ہے۔ پراڈکٹ کی واپسی کے مالیاتی اثرات کا احاطہ مالیاتی گوشواروں کے نوٹ 10.2 میں کیا گیا ہے۔

GSK نے پہل کرتے ہوئے پاکستان کے ادویاتی انضباطی ادارے (DRAP) کو مذکورہ بالا فیصلے سے آگاہ کر دیا تھا۔ اس کے نتیجے میں، DRAP نے مورخہ 23 ستمبر 2019 کو ایک نوٹس جاری کیا جس میں فارما کمپنیز کو مزید احکامات آنے تک اپنی السر کے علاج کے ادویاتی عنصر (ریپیڈ ائن) کی حامل تمام پراڈکٹس کو مارکیٹس سے واپس اٹھانے کی ہدایت کردی ہے۔

DRAP کی ہدایات کی تعمیل کرتے ہوئے، GSK پاکستان نے ڈسٹری بیوٹرز اور دوا فروشوں سے Zantac کی تمام اقسام کی ادویات کو واپس لے لیا

NDMA، GSK کے ممکنہ ذریعے کے حوالے سے مسلسل تحقیقات کر رہا ہے۔ ان تحقیقات میں اپنے API سپلائرز کے ساتھ ہماری مسلسل شرکت عمل بھی شامل ہے۔ مریض کا تحفظ ہماری اولین ترجیح رہی ہے اور اس مسئلے کو انتہائی سنجیدگی سے لیا جا رہا ہے۔

زیر جائزہ سہ ماہی میں خام منافع 21.6 فیصد رہا، گویا اس میں 3.6 فیصد کمی ہوئی۔ جیسا کہ پہلے بیان کیا جا چکا ہے کہ گزشتہ ایک سال میں روپے کی قدر میں نمایاں کمی کے باعث ہمارے منافع جات (مارجنز) دباؤ اور تنزلی کے رجحان کے حامل رہے۔ اس سے مقامی اور درآمد شدہ دونوں طرح کے میٹریلز کی لاگت میں اضافہ ہوا۔ اگرچہ دوران سال عمومی قیمت میں اضافے کے ذریعے ان اثرات کو کسی حد تک ختم کر دیا گیا، تاہم کمپنی اپنے مینوفیکچرنگ کے شعبے میں اندرونی لاگت کی بچت اور عملی مؤثر پذیرگی کے اقدامات پر بھی توجہ مرکوز کیے ہوئے ہے۔

فروخت، مارکیٹنگ اور تقسیم کے اخراجات 2.4 بلین روپے ریکارڈ کیے گئے اور اس شعبے کے تحت ہونے والے اخراجات پوری طرح قابو میں رہے۔ انتظامی اخراجات 0.8 بلین روپے ریکارڈ کیے گئے، یعنی ان میں 6 فیصد کا اضافہ ہوا جو بنیادی طور پر عمومی افراط زر کو ظاہر کرتا ہے۔

دیگر آمدنی گزشتہ سال کے مقابلے میں 482 ملین روپے کے اضافے کے ساتھ مجموعی طور پر 1.07 بلین روپے رہی، جس میں بنیادی طور پر شہیری الاؤنس شامل تھا۔ اس میعاد کے دوران مالیاتی چارجز 276 ملین روپے رہے۔ اس مد میں اضافے کی اہم وجہ گزشتہ سال کے مقابلے میں اس میعاد کے دوران روپے کی تخفیف قدر کے باعث ہونے والا مبادلاتی نقصان اور اس مرتبہ بگ کیے جانے والے رواں مالیاتی چارجز تھے۔

جیسا کہ مینوفیکچرنگ سائنس پر SAP کا نفاذ مکمل ہو چکا ہے، چنانچہ طے شدہ بندش کو پورا کرنے کے لیے انونٹری لیولز کو اب کم کر دیا گیا ہے جس سے ہمارے عملی سرمائے کی حیثیت مستحکم ہوئی ہے۔

مجموعی طور پر، آپ کی کمپنی نے 1.8 بلین روپے کا بعد از ٹیکس منافع حاصل کیا، یعنی اس میں گزشتہ سال کی اسی مدت کے مقابلے میں 3.9 فیصد کمی واقع ہوئی، اس کا بنیادی سبب مذکورہ بالا وجوہات تھیں۔

حالیہ میعاد کے دوران منجمد اثاثوں پر ہونے والے اخراجات 751 ملین روپے رہے (30 ستمبر 2018: 639 ملین روپے)۔ اس میعاد کے دوران، کمپنی نے پلانٹ کی اپ گریڈیشن، گنجائش میں اضافے کے اقدامات اور کاروباری سرگرمیوں کے مسلسل استحکام پر سرمایہ کاری کی۔

پیش منظر اور چیلنجز

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

مختلف انجینئرز اور بین الاقوامی تجزیہ کار باقی ماندہ سال کے دوران بھی معاشی ترقی میں مزید سست روی کی پیش گوئی کرتے ہیں جس کی وجہ وہ کئی معاشی مداخلتیں ہیں جن سے ملک اس وقت گزر رہا ہے۔ کرنٹ اکاؤنٹ کے خسارے میں نمایاں کمی واقع ہوئی ہے۔ حالیہ عرصے میں شرح مبادلہ نے کسی قدر استحکام ظاہر کیا ہے۔ اگرچہ صورتحال تبدیل ہو رہی ہے، لیکن روپے کی قدر میں ہونے والی مزید کمی مالیاتی منظر نامے پر منفی اثرات مرتب کرے گی۔

نان ایگزیکٹو بورڈ ڈائریکٹرز کے لیے GSK پاکستان لمیٹڈ کی مشاہرے کی پالیسی
گلکسو اسمتھ کلائن پاکستان لمیٹڈ کے نان ایگزیکٹو بورڈ ڈائریکٹرز، موزوں طور پر تخلیق کردہ بازاری معیار کی بنیاد پر، ہیومن ریسورسز اور مشاہرہ کمیٹی کی جانب سے منظور کردہ مشاہرے کا استحقاق رکھتے ہیں۔

ستائش کلمات:

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

بحکم بورڈ

عبدالصمد
ڈائریکٹر

ایم عزیز الحق
چیف ایگزیکٹو آفیسر

کراچی

28 اکتوبر، 2019


GLAXOSMITHKLINE PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2019

		Un-audited September 30, 2019	Audited December 31, 2018
	Note	----- Rupees '000 -----	
ASSETS			
Non-current assets			
Property, plant and equipment	4	9,137,334	8,921,205
Intangibles	5	1,082,072	1,082,072
Long-term loans to employees		96,285	80,785
Long-term deposits		18,260	18,260
		<u>10,333,951</u>	<u>10,102,322</u>
Current assets			
Stores and spares		211,894	270,451
Stock-in-trade		8,996,363	5,944,050
Trade debts		883,418	1,594,900
Loans and advances		357,008	247,788
Trade deposits and prepayments		187,271	132,887
Interest accrued		-	1,321
Taxation - payments less provision		584,681	50,972
Refunds due from government		41,097	44,271
Other receivables		653,210	354,534
Investments - at amortised cost		-	247,840
Cash and bank balances		333,462	3,185,011
		<u>12,248,404</u>	<u>12,074,025</u>
Total assets		<u><u>22,582,355</u></u>	<u><u>22,176,347</u></u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital		3,184,672	3,184,672
Reserves		<u>11,803,856</u>	<u>12,234,778</u>
		14,988,528	15,419,450
LIABILITIES			
Non-current liabilities			
Staff retirement benefits		317,537	370,799
Deferred taxation		587,209	615,887
Long-term portion of lease liabilities		<u>42,110</u>	<u>-</u>
		946,856	986,686
Current liabilities			
Trade and other payables	7	6,444,847	5,607,688
Accrued mark-up		56,392	-
Provisions	8	38,448	74,602
Current portion of lease liabilities		8,139	-
Unclaimed dividend		99,145	87,921
		<u>6,646,971</u>	<u>5,770,211</u>
Total liabilities		<u>7,593,827</u>	<u>6,756,897</u>
Total equity and liabilities		<u><u>22,582,355</u></u>	<u><u>22,176,347</u></u>
Contingencies and commitments			

The annexed notes 1 to 19 form an integral part of this condensed interim financial statements.

M. Z. Zubing
Chief Executive


Chief Financial Officer


Director

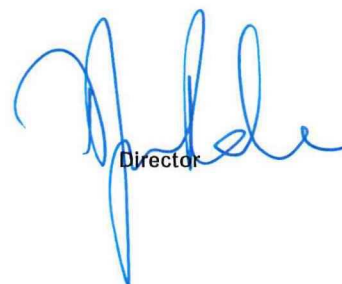
GLAXOSMITHKLINE PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 (UNAUDITED)

		Quarter ended		Nine months ended	
		September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Note		Rupees '000			
Continuing Operations:					
Net sales	10	8,171,440	8,049,960	25,824,915	25,274,071
Cost of sales	11	(6,218,191)	(6,182,881)	(20,259,214)	(18,908,179)
Gross profit		1,953,249	1,867,079	5,565,701	6,365,892
Selling, marketing and distribution expenses	12	(768,858)	(878,129)	(2,432,582)	(2,588,864)
Administrative expenses		(262,522)	(254,139)	(824,608)	(776,093)
Other operating expenses		(109,857)	(94,719)	(244,845)	(298,761)
Other income	13	434,457	358,505	1,072,894	590,607
Operating profit		1,246,469	998,597	3,136,560	3,292,781
Financial charges		27,439	(10,062)	(275,839)	(81,301)
Profit before taxation		1,273,908	988,535	2,860,721	3,211,480
Taxation	14	(350,147)	(447,474)	(1,062,372)	(1,366,134)
Profit after taxation from continuing operations		923,761	541,061	1,798,349	1,845,346
Discontinued operations:					
Profit after taxation from discontinued operations		-	-	-	26,029
Other comprehensive income		-	-	-	-
Total comprehensive income		923,761	541,061	1,798,349	1,871,375
Earnings per share	15				
- continuing operations		Rs. 2.90	Rs. 1.70	Rs. 5.65	Rs. 5.79
- discontinued operations		-	-	-	Re. 0.08
		Rs. 2.90	Rs. 1.70	Rs. 5.65	Rs. 5.87

The annexed notes 1 to 19 form an integral part of this condensed interim financial statements.


Chief Executive


Chief Financial Officer


Director

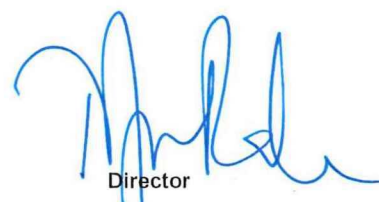
GLAXOSMITHKLINE PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 (UN-AUDITED)

		September 30, 2019	September 30, 2018
Note		Rupees '000-----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	16	1,686,059	3,797,855
Staff retirement benefits paid		(264,564)	(160,540)
Income taxes paid		(1,624,759)	(1,336,885)
Increase / (decrease) in long-term loans to employees		(15,500)	11,072
Net cash (used in) / generated from operating activities		(218,764)	2,311,502
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(751,491)	(638,727)
Purchase of market authorization rights		-	(43,000)
Proceeds from sale of operating assets		57,294	209,918
Return received		52,472	-
Net cash used in investing activities		(641,725)	(471,809)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liabilities		(20,853)	-
Dividend paid		(2,218,047)	(1,137,003)
Net cash used in financing activities		(2,238,900)	(1,137,003)
Net decrease in cash and cash equivalents		(3,099,389)	702,690
Cash and cash equivalents at beginning of the period		3,432,851	2,167,710
Cash and cash equivalents at end of the period	17	333,462	2,870,400

The annexed notes 1 to 19 form an integral part of this condensed interim financial statements.


Chief Executive


Chief Financial Officer


Director

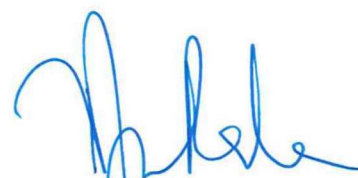
GLAXOSMITHKLINE PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 (UN-AUDITED)

	Reserves					Total
	Share capital	Capital Reserve	Revenue Reserves		Total Reserves	
		Reserve arising on Schemes of Arrangements	General reserve	Unappropriated profit		
	----- Rupees '000 -----					
Balance as at January 1, 2018	3,184,672	1,126,923	3,999,970	5,150,292	10,277,185	13,461,857
Final dividend for the year ended December 31, 2017 @ Rs. 4 per share	-	-	-	(1,273,869)	(1,273,869)	(1,273,869)
Total comprehensive income for the nine months ended September 30, 2018	-	-	-	1,871,375	1,871,375	1,871,375
Balance as at September 30, 2018	<u>3,184,672</u>	<u>1,126,923</u>	<u>3,999,970</u>	<u>5,747,798</u>	<u>10,874,691</u>	<u>14,059,363</u>
Balance as at January 1, 2019	3,184,672	1,126,923	3,999,970	7,107,885	12,234,778	15,419,450
Final dividend for the year ended December 31, 2018 @ Rs. 7 per share	-	-	-	(2,229,271)	(2,229,271)	(2,229,271)
Total comprehensive income for the nine months ended September 30, 2019	-	-	-	1,798,349	1,798,349	1,798,349
Balance as at September 30, 2019	<u>3,184,672</u>	<u>1,126,923</u>	<u>3,999,970</u>	<u>6,676,963</u>	<u>11,803,856</u>	<u>14,988,528</u>

The annexed notes 1 to 19 form an integral part of this condensed interim financial statements.


Chief Executive


Chief Financial Officer


Director

GLAXOSMITHKLINE PAKISTAN LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 (UN-AUDITED)

1. THE COMPANY AND ITS OPERATIONS

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

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

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

2. BASIS OF PREPARATION

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

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

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

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

3. ACCOUNTING POLICIES

3.1 Significant accounting policies

- 3.1.1 The significant accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements of the Company for the year ended December 31, 2018, except for the changes in accounting policies as stated in note 3.1.4 below.
- 3.1.2 Taxes on income are accrued using the average tax rate that is expected to be applicable to the full financial year.
- 3.1.3 Actuarial valuations are carried out on annual basis. The last actuarial valuation was carried out on December 31, 2018, therefore, no impact of actuarial gain / loss has been calculated for the current period and comparative condensed financial statements have 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 approximate 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.

	Note	(Un-audited) September 30, 2019	(Audited) December 31, 2018
		Rupees '000	
4. PROPERTY, PLANT AND EQUIPMENT			
Operating assets	4.1	8,186,517	8,308,401
Capital work-in-progress		726,508	501,397
Right of use of asset		55,695	-
Major spare parts and standby equipments		168,614	111,407
		<u>9,137,334</u>	<u>8,921,205</u>

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

	(Un-audited) Additions (at cost)		(Un-audited) Disposals (at net book value)	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	Rupees '000			
Improvements on buildings	107,512	47,390	-	48
Plant and machinery	131,731	324,313	-	4,025
Furniture and fixtures	9,967	16,630	5,880	-
Vehicles	149,164	109,329	37,512	37,059
Office equipments	75,682	79,795	675	481
	<u>474,056</u>	<u>577,457</u>	<u>44,067</u>	<u>41,613</u>
			(Un-audited) September 30, 2019	(Audited) December 31, 2018
			Rupees '000	
		Note		

5. INTANGIBLES

Goodwill		955,742	955,742
Marketing authorisation rights	5.1	126,330	126,330
		<u>1,082,072</u>	<u>1,082,072</u>

- 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. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

- 6.1 Profit after taxation from discontinued operations:

	Note	Quarter ended - (Un-audited)		Nine months ended - (Un-audited)	
		September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
		Rupees '000			
Net sales		-	-	-	-
Cost of sales		-	-	-	-
Gross profit / loss		-	-	-	-
Selling, marketing and distribution expenses		-	-	-	-
Other operating income	6.1.1	-	-	-	10,000
Profit before taxation		-	-	-	10,000
Taxation		-	-	-	16,029
Profit after Taxation		-	-	-	26,029

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

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

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

7. TRADE AND OTHER PAYABLES

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	Rupees '000	
Creditors and bills payable	2,665,501	2,179,889
Accrued liabilities	2,536,349	2,434,966
Others	1,242,998	992,833
	<u>6,444,848</u>	<u>5,607,688</u>

8. PROVISIONS

Balance at beginning of the period	74,602	411,771
Charge for the period	384,191	260,217
Payments during the period	<u>(420,346)</u>	<u>(597,386)</u>
Balance at end of the period	<u>38,447</u>	<u>74,602</u>

9. COMMITMENTS

- 9.1 Commitments for capital expenditure outstanding as at September 30, 2019, amounted to Rs. 1,181.37 million (December 31, 2018: Rs. 205.18 million).

10. NET SALES

- 10.1 The net sales include sales of Over the Counter Products amounting to Rs. 3.20 billion (September 30, 2018: 3.11 billion) to GSK CH being manufactured by the Company due to pending transfer of marketing authorisations by Drug Regulatory Authority of Pakistan ("DRAP") - refer note 1.1.

The Company has recorded a provision of product recall for Zantac (Tablets and Injections) amounting to Rs. 169.8 million, with total impact of Rs. 223.9 million on Gross margin – refer note 11.

11. COST OF SALES

This includes provision for on hand stock of Zantac (Tablets and Injections) amounting to Rs. 54.1 million.

12. SELLING, MARKETING AND DISTRIBUTION EXPENSES

This includes advertising and sales promotion expenses of Rs. 349.99 million (September 30, 2018: Rs. 539 million).

13. OTHER INCOME

		Quarter ended - (Un-audited)		Nine months ended - (Un-audited)	
		September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	Note	Rupees '000			
Income from financial assets					
Return on Treasury bills		243	-	9,996	8,360
Income on savings and deposit accounts		2,718	33,336	74,191	73,727
		2,961	33,336	84,187	82,087
Income from non-financial assets					
Gain on disposal of operating assets		3,940	16,282	26,825	17,533
Others					
Scrap sales		8,012	13,951	35,676	32,977
Insurance Commission		4,911	-	14,732	16,151
Promotional allowance	13.1	400,000	289,645	867,000	289,645
Liabilities no longer payable written off		-	1,602	-	9,721
Insurance claim recovery		-	-	-	127,042
Service fee		3,000	3,000	9,000	9,000
Others		11,633	689	35,474	6,451
		434,457	358,505	1,072,894	590,607

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

14. TAXATION

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

	(Un-audited)	
	September 30, 2019	September 30, 2018
Rupees '000		
15. EARNINGS PER SHARE		
Profit after taxation from continuing operations	1,798,349	1,845,346
Profit after taxation from discontinued operation	-	26,029
Number of shares		
Weighted average number of shares outstanding during the period	318,467,278	318,467,278
Earnings per share - continuing operations	Rs. 5.65	Rs. 5.79
Earnings / (loss) per share - discontinued operations	-	Re. 0.08
Earnings per share - basic	Rs. 5.65	Rs. 5.87

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.

	(Un-audited) September 30, 2019	(Un-audited) September 30, 2018
	Rupees '000	
16. CASH GENERATED FROM OPERATIONS		
Profit before taxation	2,860,721	3,221,480
Add / (less): Adjustments for non-cash charges and other items		
Depreciation and impairment	562,856	482,201
Provision for slow moving, obsolete and damaged stock-in-trade net of stock written off	478,940	48,710
Gain on disposal of operating fixed assets	(26,825)	(17,533)
Interest income	(84,187)	-
Financial charges	94,172	-
Provision for staff retirement benefits	211,302	190,413
Profit before working capital changes	4,096,979	3,925,271

Effect on cash flow due to working capital changes

(Increase) / decrease in current assets

Stores and spares	
Stock-in-trade	
Trade debts	
Loans and advances	
Trade deposits and prepayments	
Interest accrued	
Refunds due from the government	
Other receivables	

58,557	9,547
(3,531,253)	(468,352)
711,482	364,852
(109,220)	238,577
(54,384)	(74,277)
-	1,804
3,174	(14,952)
(298,676)	12,572
(3,220,320)	69,771
845,554	115,750
(36,154)	(312,937)
(2,410,920)	(127,416)
1,686,059	3,797,855

Increase / (decrease) in current liabilities

Trade and other payables	
Provisions	

	(Un-audited) September 30, 2019	(Un-audited) September 30, 2018
	Rupees '000	
17. CASH AND CASH EQUIVALENTS		
Cash and bank balances	333,462	2,672,589
Running finance under mark-up arrangement	-	-
Short term investments - Treasury bills	-	197,811
	333,462	2,870,400

18. TRANSACTIONS WITH RELATED PARTIES

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

(Un-audited)	(Un-audited)
September 30,	September 30,
2019	2018
Rupees '000	

18.1 Details of transactions carried out during the period with the related parties are as follows:

Relationship	Nature of transactions		
Holding company:	Dividend paid	1,841,209	1,052,119
Associated companies:	a. Royalty expense charged	251,445	246,667
	b. Purchase of goods	5,920,030	3,554,319
	c. Sale of goods	3,252,392	3,140,105
	d. Recovery of expenses - note 18.1.1	744,496	279,042
	e. Services fees	9,000	9,000
	f. Sales as an agent of GSK CH	4,938,078	4,387,235
	g. Promotional allowance	867,000	289,645
Staff retirement funds:	a. Expense charged for retirement benefit plans	211,302	190,413
	b. Payments to retirement benefit plans	282,538	171,875
Key management personnel:	a. Salaries and other employee benefits	209,200	182,989
	b. Post employment benefits	15,700	12,415
	c. Proceeds from sale of fixed assets	15,327	8,639

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

19. DATE OF AUTHORISATION FOR ISSUE

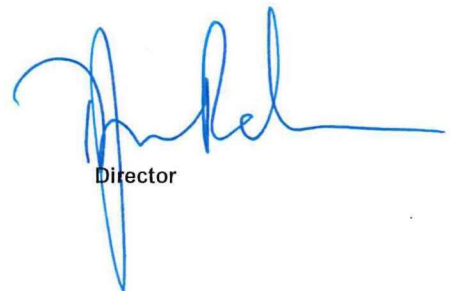
This condensed interim financial information was approved and authorised for issue by the Board of Directors of the Company on



Chief Executive



Chief Financial Officer



Director