



ENHANCING VALUE



Board of Directors

Mr. Renaud Savary
Chairman

Mr. M. Salman Burney
Chief Executive

Mr. Husain Lawai
Independent Director

Mr. Mehmood Mandviwalla
Non-Executive Director

Mr. Dave Cooper
Non-Executive Director

Mr. Yahya Zakaria
Director Finance

Audit Committee

Mr. Husain Lawai
Chairman

Mr. Mehmood Mandviwalla
Member

Mr. Dave Cooper
Member

Mr. Renaud Savary
Member

Human Resource & Remuneration Committee

Mr. Mehmood Mandviwalla
Chairman

Mr. Husain Lawai
Member

Mr. M. Salman Burney
Member

Mr. Renaud Savary
Member

Management Committee

Mr. M. Salman Burney
Chief Executive

Mr. Yahya Zakaria
Director Finance

Mr. Azeem A. Naqvi
Head of Legal

Mr. Sohail Matin
Country Manager - Consumer Healthcare

Ms. Pouruchisty Sidhwa
Director Human Resources

Dr. Khawar Saeed Khan
Director Medical Affairs

Dr. Naved Masoom Ali
Business Unit Head

Mr. Khalid Mehmood Sethi
Business Unit Head

Ms. Zainab Hameed
Head of IT

Mr. Syed Salman Haider
*Director Commercial Excellence
and Speciality Business Unit*

Company Secretary

Mr. Azeem A. Naqvi

Chief Financial Officer

Mr. Yahya Zakaria

Chief Internal Auditor

Ms. Ayesha Muharram

Bankers

Barclays Bank PLC Pakistan

Citibank NA

Deutsche Bank A.G.

Habib Bank Limited

Meezan Bank Limited

Standard Chartered Bank (Pakistan) Ltd

Auditors

A. F. Ferguson & Co.
Chartered Accountants

Legal Advisors

Mandviwalla & Zafar
Orr, Dignam & Co.
Rizvi, Isa, Afridi & Angell
Vellani & Vellani

Registered Office

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CORPORATE INFORMATION



CHIEF EXECUTIVE'S REVIEW

I am pleased to present the un-audited financial information of your Company for the period ended March 31, 2015. This financial information is submitted in accordance with the Section 245 of the Companies Ordinance, 1984.

Review of Operating Results

Your Company has shown resilience and delivered steady sales performance during the quarter under review with overall net sales of Rs. 7.1 billion. This is despite supply constraints and uncertainty around pricing policy.

As disclosed earlier and as part of a major three-part inter-conditional transaction between GlaxoSmithKline plc, UK, and Novartis AG, Switzerland, the Board of Directors of your

Company in their meeting held on February 25, 2015, has in-principle decided for the de-merger and also appointed Financial and Legal consultants for advising on the proposed transaction. Consequently, the consumer segment has been reported as discontinuing operation as required under IFRS. Relevant disclosures have been made in these condensed quarterly financial information.

Rupees in million	Quarter ended March 31, 2015			Quarter ended March 31, 2014		
	Continuing Operations	Discontinuing Operation	Total	Continuing Operations	Discontinuing Operation	Total
Net sales	5,781	1,305	7,086	5,996	1,147	7,143
Cost of sales	(4,212)	(910)	(5,122)	(4,491)	(781)	(5,272)
Gross profit	1,569	395	1,964	1,505	366	1,871
Selling, marketing and distribution expenses	(595)	(292)	(887)	(689)	(279)	(968)
Administrative expenses	(229)	(21)	(250)	(217)	(19)	(236)
Other operating expenses	(65)	(7)	(72)	(60)	(7)	(67)
Other income	100	-	100	202	-	202
Finance cost	(5)	-	(5)	(4)	-	(4)
Profit before taxation	775	75	850	737	61	798
Taxation	(309)	(26)	(335)	(292)	(21)	(313)
Profit after taxation	466	49	515	445	40	485

Gross margin for the 1st quarter at 27.7% marginally improved from the same period last year. The Company took significant cost containment measures to address margin erosion in absence of across the board price adjustment. The product portfolio was rationalized and production of loss making SKUs was reduced wherever possible. Other factors contributing towards margin improvement included stable exchange rate, price adjustments on the products

where there was no relief since 2001 and synergies through consolidation of manufacturing operations.

Export sales of your Company recorded at Rs 186.0 million mainly to Afghanistan.

Selling, marketing and distribution expenses at Rs 886.8 million evidenced a decrease from the corresponding

period last year. This is mainly due to delay in promotional and scientific engagement activities during the period under review. Further, the Company is in the process of realigning its ways of working pertaining to its promotional and scientific engagements activities in line with GSK's Global HCP initiatives which has also resulted in the lower spend. Administrative expenses rose by 6.0% over the corresponding quarter to Rs 250.3 million in the current period reflecting inflationary pressures.

Excluding the effect of significant exchange gain during first quarter 2014, other operating income showed marginal decrease due to falling discount rates.

Your Company posted a net profit after tax of Rs 514.6 million depicting an increase due to reasons elucidated in the preceding paragraphs.

Capital expenditure was recorded at Rs 363.5 million (March 31, 2014: Rs 86.6 million). During the period under review, the Company invested mainly on plant up-gradation and capacity enhancement initiatives particularly at Korangi manufacturing facility.

The surplus funds of the Company increased by Rs 160.0 million during the quarter compared to the year-end balance of Rs 2,224.0 million at December 31, 2014, mainly contributed by the improvement in cash generated from operations.

Future Outlook and Challenges

The pharmaceutical industry has a great potential for generating economic value to the country in terms of availability of quality medicines at affordable prices, domestic value addition, creating employment, enhancing exports as well as generating revenue for the exchequer. Over the past few years the industry has suffered from an irrational regulatory framework which is not aligned with other countries in the region resulting in severely curtailing its economic potential and value for the country. However, after a concerted effort on the part of the industry, the Government has in March 2015 finally notified a Drug Pricing Policy after a lapse of over a decade. While the new Policy still contains many challenges and concerns that will need to be addressed, it is an important first step towards developing a regulatory regime that balances the interest of the industry, supports the continuity of supplies of quality affordable medicines and ensures the ongoing availability of numerous research based drugs.

Acknowledgment

Throughout the period the industrial relations climate has remained congenial and all employees showed great dedication towards achievement of Company's objectives. On behalf of the Board, I would take this opportunity to record our appreciation for the passion and commitment shown by all the staff and our stakeholders for their continuing support.



M. Salman Burney

Chief Executive

Karachi

April 29, 2015

CONDENSED INTERIM BALANCE SHEET

AS AT MARCH 31, 2015

Rupees '000	Note	(Un-audited) March 31, 2015	(Audited) December 31, 2014
NON-CURRENT ASSETS			
Fixed assets	6	6,722,991	6,652,251
Intangible - goodwill	7	996,072	955,742
Long-term loans to employees		65,205	65,722
Long-term deposits		21,955	21,955
		7,806,223	7,695,670
CURRENT ASSETS			
Stores and spares		168,499	158,775
Stock-in-trade		4,998,124	6,308,061
Trade debts		336,660	535,116
Loans and advances		385,186	414,641
Trade deposits and prepayments		322,529	144,669
Interest accrued		7,687	5,793
Refunds due from government		52,825	56,925
Other receivables		253,121	301,986
Taxation - payments less provision		717,974	799,984
Investments		483,200	591,667
Cash and bank balances		2,328,912	2,060,444
		10,054,717	11,378,061
Non-current assets classified as held for sale and assets of disposal group	8	1,774,400	27,147
		19,635,340	19,100,878
SHARE CAPITAL AND RESERVES			
Share capital		3,184,672	3,184,672
Reserves		9,275,020	8,760,431
		12,459,692	11,945,103
NON-CURRENT LIABILITIES			
Staff retirement benefits		395,180	382,253
Deferred taxation		583,234	593,354
		978,414	975,607
CURRENT LIABILITIES			
Trade and other payables		5,003,452	6,002,632
Provisions		183,796	177,536
		5,187,248	6,180,168
Liabilities of disposal group	8	1,009,986	-
		7,175,648	7,155,775
CONTINGENCIES AND COMMITMENTS			
	9	19,635,340	19,100,878

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.


M. Salman Burney
Chief Executive


Yahya Zakaria
Chief Financial Officer

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

FOR THE QUARTER ENDED MARCH 31, 2015 (UN-AUDITED)

Rupees '000	Note	March 31, 2015	(Re-stated) March 31, 2014
Continuing Operations			
Net sales		5,781,400	5,995,790
Cost of sales		(4,212,170)	(4,491,355)
Gross profit		1,569,230	1,504,435
Selling, marketing and distribution expenses		(595,141)	(688,682)
Administrative expenses		(229,684)	(216,888)
Other operating expenses		(64,998)	(60,204)
Other income		100,223	202,126
Operating profit		779,630	740,787
Financial charges		(5,319)	(3,650)
Profit before taxation		774,311	737,137
Taxation		(308,653)	(291,816)
Profit for the period from continuing operations		465,658	445,321
Discontinuing Operation			
Profit for the period from discontinuing operation	8	48,931	39,527
		514,589	484,848
Other comprehensive income			
		-	-
Total comprehensive income			
		514,589	484,848
Earnings per share from continuing operations	10	Rs. 1.46	Rs. 1.40
Earnings per share from discontinuing operation	10	Rs. 0.16	Rs. 0.12

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.


M. Salman Burney
Chief Executive


Yahya Zakaria
Chief Financial Officer

CONDENSED INTERIM CASH FLOW STATEMENT

FOR THE QUARTER ENDED MARCH 31, 2015 (UN-AUDITED)

Rupees '000	Note	March 31, 2015	March 31, 2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	11	810,818	364,604
Payment for defined benefits obligations		(21,221)	-
Taxes paid		(287,989)	(184,583)
Decrease in long-term loans to employees		4	4,302
Increase in long-term deposits		-	(27)
Net cash generated from operating activities		501,612	184,296
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(363,495)	(86,588)
Proceeds from sale of operating assets		21,950	29,156
Net cash used in investing activities		(341,545)	(57,432)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(66)	(98)
Net increase in cash and cash equivalents		160,001	126,766
Cash and cash equivalents at beginning of the period		2,652,111	2,097,268
Cash and cash equivalents at end of the period	12	2,812,112	2,224,034

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.


M. Salman Burney
 Chief Executive


Yahya Zakaria
 Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE QUARTER ENDED MARCH 31, 2015 (UN-AUDITED)

Rupees '000	Share Capital	Reserves			Total
		Capital	Revenue		
		Reserve arising on amalgamation	General reserve	Unappropriated profit	
Balance as at January 1, 2014	2,895,156	2,184,238	3,999,970	2,269,949	11,349,313
Total comprehensive income including profit from discontinuing operation for the quarter ended March 31, 2014	—	—	—	484,848	484,848
Balance as at March 31, 2014	2,895,156	2,184,238	3,999,970	2,754,797	11,834,161
Balance as at January 1, 2015	3,184,672	2,184,238	3,999,970	2,576,223	11,945,103
Total comprehensive income including profit from discontinuing operation for the quarter ended March 31, 2015	—	—	—	514,589	514,589
Balance as at March 31, 2015	3,184,672	2,184,238	3,999,970	3,090,812	12,459,692

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.


M. Salman Burney
Chief Executive


Yahya Zakaria
Chief Financial Officer

SELECTED NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE QUARTER ENDED MARCH 31, 2015 (UN-AUDITED)

1. THE COMPANY AND ITS OPERATIONS

The Company is incorporated in Pakistan as a limited liability company and is listed on the Karachi and Lahore Stock Exchanges. It is engaged in manufacturing and marketing of research based pharmaceutical and consumer products.

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

2. DISCONTINUING OPERATION

As disclosed earlier, as part of a major three-part inter-conditional transaction between GlaxoSmithKline plc, UK, and Novartis AG, Switzerland, the Board of Directors of the Company in their meeting held on February 25, 2015, has in-principle decided for the de-merger and also appointed Financial and Legal consultants for advising on the proposed transaction. Consequently, the consumer segment has been reported as discontinuing operation. Accordingly corresponding figures have been re-stated, wherever necessary for the purpose of comparison.

3. 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, 2014.

4. 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, 2014.

4.1 Taxes on income are accrued using tax rate that would be applicable to the full financial year.

4.2 Actuarial valuations are carried out on annual basis. The last actuarial valuation was carried out on December 31, 2014, therefore no impact has been calculated for the current period.

4.3 New standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2015, are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

5. 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 and 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 same as those that were applied to financial statements as at and for the year ended December 31, 2014.

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, 2014.

Rupees '000	Note	Un-audited March 31, 2015	Audited December 31, 2014
6. FIXED ASSETS			
Operating assets	6.1	5,302,100	5,318,400
Capital work-in-progress		1,388,687	1,259,309
Major spare parts and stand by equipments		59,380	74,542
		6,750,167	6,652,251
Less: Fixed assets relating to discontinuing operation	8.2	(27,176)	-
		6,722,991	6,652,251

6.1 Details of additions to and disposals of operating fixed assets for the Company are as follows:

Rupees '000	Additions (at cost)		Disposals / Transfer* (at net book value)	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
Improvements on buildings	1,019	2,117	-	-
Plant and machinery	67,384	17,249	4,782	7,258
Furniture and fixtures	711	1,553	-	-
Vehicles	50,438	41,035	36,209	15,134
Office equipments	12,087	9,629	621	498
	131,639	71,583	41,612	22,890

*Includes items reclassified as fixed assets pertaining to discontinuing operation note 8.2.

7. GOODWILL

During the period under review, the Company made a payment of Rs. 40.3 million as consideration in respect of acquiring marketing authorization rights in relation to Novartis's vaccines business. This is in line with global transaction between GSK plc and Novartis AG, Switzerland as disclosed earlier.

SELECTED NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE QUARTER ENDED MARCH 31, 2015 (UN-AUDITED)

8. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND ASSETS OF DISPOSAL GROUP

8.1 Profit and Loss from discontinuing operation for the quarter ended March 31:

Rupees '000	2015	(Re-stated) 2014
Net sales	1,304,805	1,147,158
Cost of sales	(910,061)	(781,520)
Gross profit	394,744	365,638
Selling, marketing and distribution expenses	(291,692)	(278,830)
Administrative expenses	(20,572)	(19,201)
Other operating expenses	(7,202)	(6,796)
Profit before taxation	75,278	60,811
Taxation	(26,347)	(21,284)
Profit after taxation	48,931	39,527

8.2 Non-current assets classified as held for sale and assets and liabilities of disposal group classified as held for sale:

Rupees '000	Note	(Un-audited) March 31, 2015	(Audited) December 31, 2014
Non-Current Assets			
Fixed assets	8.2.1	54,323	27,147
Deferred taxation		24,879	-
Long-term loans to employees		513	-
		79,715	27,147
Current Assets			
Stock-in-trade		1,475,120	-
Trade debts		126,771	-
Loans and advances		92,794	-
		1,694,685	-
Total Assets		1,774,400	27,147
Current Liabilities			
Trade and other payables		1,009,986	-
Net Assets		764,414	27,147

8.2.1 These assets includes Rs 27.15 million (December 31, 2014: Rs 27.15 million) of pharmaceutical business. During the period, the Company has entered into an agreement to sell its land located at 18.5 Km, Ferozepur Road, Lahore measuring approximately 27 acres alongwith the related assets for Rs 950 million. Following is the net book value of these assets:

Rupees '000	(Un-audited) March 31, 2015	(Audited) December 31, 2014
Freehold land	174	174
Building on freehold land	24,336	24,336
Plant and machinery	2,612	2,612
Furniture and fixture	25	25
	<u>27,147</u>	<u>27,147</u>

Rupees '000	March 31, 2015	March 31, 2014
8.3 Cashflow statement - discontinuing operation		
Net cash used in operating activities	(126,552)	(9,451)
Net cash generated from investing activities	4,680	5,464
Net cash from financing activities	-	-

9. CONTINGENCIES AND COMMITMENTS

9.1 There has been no significant change in the status of contingencies as reported in the financial statements for the year ended December 31, 2014.

9.2 Commitments for capital expenditure outstanding as at March 31, 2015 amounted to Rs. 934.06 million (December 31, 2014: Rs. 1,077.17 million).

Rupees '000	March 31, 2015	March 31, 2014
10. EARNINGS PER SHARE		
Profit after taxation from continuing operations	465,658	445,321
Profit after taxation from discontinuing operation	48,931	39,527
Weighted average number of shares outstanding during the period - 10.1	318,467	318,467
Earnings per share - continuing operations	Rs. 1.46	Rs. 1.40
Earnings per share - discontinuing operation	Re. 0.16	Re. 0.12
Earnings per share - basic	<u>Rs. 1.62</u>	<u>Rs. 1.52</u>

10.1 The weighted average number of shares outstanding during the period ended March 31, 2014, has been increased to reflect the bonus shares issued during the year ended December 31, 2014.

10.2 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 INFORMATION

FOR THE QUARTER ENDED MARCH 31, 2015 (UN-AUDITED)

Rupees '000	March 31, 2015	March 31, 2014
11. CASH GENERATED FROM OPERATIONS		
Profit before taxation (including discontinuing operation)	849,589	797,948
Add / (less): Adjustments for non-cash charges and other items		
Depreciation	123,295	109,598
Impairment charge / reversal (net)	4,734	(100)
Gain on disposal of operating fixed assets	(7,514)	(6,266)
Provision for staff retirement benefits	34,148	23,898
Profit before working capital changes	1,004,252	925,078
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Stores and spares	(9,724)	(13,996)
Stock-in-trade	(165,183)	416,431
Trade debts	71,685	(82,831)
Loans and advances	(63,339)	(106,746)
Trade deposits and prepayments	(177,860)	(185,981)
Interest accrued	(1,894)	(21,028)
Refunds due from government	4,100	33,104
Other receivables	48,865	(33,230)
	(293,350)	5,723
Increase / (decrease) in current liabilities		
Trade and other payables	93,656	7,468
Provisions	6,260	(573,665)
	(193,434)	(560,474)
	810,818	364,604
12. CASH AND CASH EQUIVALENTS		
Cash and bank balances	2,328,912	1,931,432
Short term investments - Treasury Bills	483,200	149,424
	2,812,112	2,080,856

Rupees '000		March 31, 2015	March 31, 2014
13. TRANSACTIONS WITH RELATED PARTIES			
Relationship	Nature of transactions		
Associated companies / undertakings:	a. Purchase of goods	1,395,325	1,159,139
	b. Sale of goods	28,328	30,862
	c. Royalty expense charged	47,668	68,959
	d. Recovery of expenses	4,030	4,164
	e. Service fee on clinical trial studies	289	364
	f. Services received	—	180
	g. Legal/professional fee	—	1,525
Staff retirement funds:	a. Expense charged for retirement benefit plans	58,622	44,704
	b. Payments to retirement benefit plans	45,694	20,806
Key management personnel:	a. Salaries and other employee benefits	73,155	43,498
	b. Post employment benefits	4,901	2,991

14. 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 29, 2015.


M. Salman Burney
 Chief Executive


Yahya Zakaria
 Chief Financial Officer

GlaxoSmithKline Pakistan Limited

35 - Dockyard Road, West Wharf, Karachi - 74000

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