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GlaxoSmithKline Pakistan Limited
Half Yearly Report 2014

Delivering sustainable profitable growth

Corporate Information

Board of Directors

Mr. Renaud Savary
Chairman/Non-Executive Director

Mr. M. Salman Burney
Chief Executive

Mr. Husain Lawai
Non-Executive Director

Mr. Mehmood Mandviwalla
Non-Executive Director

Mr. David Cooper
Non-Executive Director

Ms. Fariha Salahuddin
Non-Executive Director

Mr. Yahya Zakaria
Director Finance

Audit Committee

Mr. Husain Lawai
Chairman

Mr. Mehmood Mandviwalla
Member

Mr. David Cooper
Member

Human Resource & Remuneration Committee

Mr. Husain Lawai
Chairman

Mr. Mehmood Mandviwalla
Member

Mr. M. Salman Burney
Member

Ms. Fariha Salahuddin
Member

Management Committee

Mr. M. Salman Burney
Chief Executive

Mr. Yahya Zakaria
Director Finance

Mr. Azeem A. Naqvi
Head of Legal / Company Secretary

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

Mr. Zubair Babar
Business Unit Head

Ms. Zainab Hameed
Head of IT

Company Secretary

Mr. Azeem A. Naqvi

Chief Financial Officer

Mr. Yahya Zakaria

Chief Internal Auditor

Ms. Ayesha Muharram

Bankers

Citibank NA

Standard Chartered Bank (Pakistan) Limited

HSBC Bank Middle East Limited

Habib Bank Limited

Deutsche Bank A.G.

Barclays Bank PLC Pakistan

Auditors

A. F. Ferguson & Co.
Chartered Accountants

Legal Advisors

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

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.gsk.com.pk

Chairman/Chief Executive Review

It gives me pleasure to present the un-audited financial information of your Company for the half year ended June 30, 2014. This financial information is submitted in accordance with Section 245 of the Companies Ordinance, 1984.

Review of Operating Results

The pharmaceutical industry operates in an environment that has continued to challenge a sustainable business model. Faced with unstable challenging regulatory environment, inflationary & fiscal pressures, and continuous power crisis, the pharmaceutical industry has been forced to internalize all cost pressures. Your company has however, shown resilience by maintaining its market share in the industry and delivered steady sales performance during first half of the year with net sales of Rs 13.6 billion, recording a growth of 8% over the corresponding period last year. Key portfolios contributing towards pharmaceutical segment growth were Dermatology, Eye/ Ear, Vitamins, Anti-Diarrheal and Cardio-Vascular.

Our Consumer Healthcare segment of the business witnessed double digit growth, achieving overall sales of Rs 2.3 billion, reflecting an increase of Rs 239.7 million over the corresponding period last year. Panadol and Sensodyne remained strong contributors to the growth. During this period certain brands were realigned within business segments in line with global strategy, which will help these products achieve better market penetration in the longer term.

Export sales of your Company stood at Rs 335.6 million compared to Rs 463.9 million over the same period last year mainly due to changes in the export regulatory regime resulted in supply delays to Afghanistan.

Gross margins of your company have been reduced from 27% in H1 2013 to 25% during the period under review. The decline in margin, as reiterated earlier, is primarily attributable to escalating raw and packing material prices including internalization of increase in sales tax and levy of taxes on services, rising utilities, fuel costs and general inflation. These adverse factors have not been compensated by way of an adequate price increase. In order to address the declining margins, management is in the process of reviewing the product portfolio particularly discontinuation of loss making SKUs to explore improvements wherever possible.

Selling, marketing and distribution expenses at Rs 1.7 billion evidenced a decrease from corresponding period last year. This reduction is due to strong promotion on Consumer Nutritional category during H1 2013 on account of Horlicks launch coupled with delay in promotional and scientific engagement activities during the current period under review. Administrative expenses rose by 9% over the corresponding period to Rs 478.1 million in the current period representing general inflation.

Other operating income decreased by Rs 83.7 million against same period last year mainly due to one-off gain on divestment of the Company's Animal Health portfolio in Q 2, 2013 which was partly offset by favorable movement in Rupee exchange rate versus major foreign currencies in the current period.

Your Company reported net profit after tax of Rs 792.7 million showing double digit growth over the corresponding period last year due to factors elucidated in the preceding paragraphs.

Capital expenditure was recorded at Rs 315 million (June 30, 2013: Rs 495 million). During 2014 the Company invested mainly on plant up-gradations, capacity enhancement initiatives, IT equipments and purchase of vehicles.

The surplus funds of the company decreased by Rs 429.1 million, compared to year end balance at December 31, 2013 to Rs.1.7 billion mainly due to dividend payout of over Rs 950 million for 2013.

Future outlook and Challenges

Pharmaceutical companies in Pakistan faced an extra-ordinary challenge of absorbing all cost pressures internally without an offsetting adjustment for over a decade, whilst all other parts of the health sector and other industries have been allowed to operate under a free market mechanism. Despite such significant challenges, your Company is endeavoring to deliver optimum value by focusing on the best product mix strategy of our legacy as well as new products. Your Company also continues to strive to simplify operational processes through manufacturing and commercial excellence initiatives, developing new, innovative and improved products in line with our strategic priorities with a focus to provide affordable healthcare solutions to patients and creating value for our shareholders.

The pharmaceutical industry has great potential for generating economic value to the country in terms of domestic value addition, creating employment, enhancing exports as well as generating revenue for the exchequer. The industry continues however to suffer 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. It is hoped that the Government will take necessary steps to approve a pricing policy and a regulatory regime that safeguards the interest of the industry, supports the continuity of supplies of quality affordable medicines and ensures the ongoing availability of numerous research based drugs which are now at risk.

On April 22, 2014 GlaxoSmithKline plc UK (GSK plc) announced a major global three-part inter-conditional transaction with Novartis AG, Switzerland (Novartis) whereas GSK plc and Novartis will work to create a new world-leading Consumer Health care business with GSK plc holding a controlling equity interest of 63.5%. GSK plc will acquire Novartis' global Vaccines business (excluding influenza vaccines) and GSK plc will divest its marketed Oncology portfolio and Research and Development activities related to it, as well as rights to GSK plc's AKT inhibitor to Novartis. The transaction is subject to the approvals from regulatory authorities in UK.

Acknowledgment

Despite challenges, your Company remains committed to enhance shareholder value through continued productivity initiatives, upgrade of our technology footprint, prudent commercial & scientific engagement activities, strict cost controls and investments in growth opportunities and people.

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
August 22, 2014

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 30 June 2014 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 30 June 2014 and 2013 have not been reviewed, as we are required to review only the cumulative figures for the half year ended 30 June 2014.

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 30 June 2014 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 25, 2014
Name of the Engagement Partner: Mohammad Zulfikar Akhtar

Condensed Interim Balance Sheet
as at June 30, 2014

Rupees '000	Note	(Un-audited) June 30, 2014	(Audited) December 31, 2013
NON-CURRENT ASSETS			
Fixed assets	5	6,010,564	5,973,404
Intangible - goodwill		955,742	955,742
Long-term loans to employees		62,579	70,079
Long-term deposits		21,955	16,865
		7,050,840	7,016,090
CURRENT ASSETS			
Stores and spares		154,107	156,548
Stock-in-trade	6	6,017,733	6,271,405
Trade debts		597,303	349,950
Loans and advances		289,771	248,463
Trade deposits and prepayments		238,889	118,592
Interest accrued		5,476	9,753
Refunds due from government		40,533	46,951
Other receivables		328,095	392,202
Taxation - payments less provision		1,111,753	1,231,588
Investments		146,840	224,269
Cash and bank balances		1,521,303	1,872,999
		10,451,803	10,922,720
Non-current assets held for sale	7	25,812	-
		17,528,455	17,938,810
SHARE CAPITAL AND RESERVES			
Share capital		3,184,672	2,895,156
Reserves		7,944,006	8,454,157
		11,128,678	11,349,313
NON-CURRENT LIABILITIES			
Staff retirement benefits		265,640	250,977
Deferred taxation		633,270	612,012
		898,910	862,989
CURRENT LIABILITIES			
Trade and other payables	8	5,322,523	5,561,429
Provisions		178,344	165,079
		5,500,867	5,726,508
		6,399,777	6,589,497
CONTINGENCIES AND COMMITMENTS	9	-	-
		17,528,455	17,938,810

The annexed notes 1 to 17 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 half year ended June 30, 2014 (Un-audited)

Rupees '000	Note	Quarter ended June 30, 2014	Quarter ended June 30, 2013	Half year ended June 30, 2014	Half year ended June 30, 2013
Sales		6,426,399	6,216,604	13,569,347	12,568,535
Cost of sales		(4,892,061)	(4,536,561)	(10,164,936)	(9,127,940)
Gross profit		1,534,338	1,680,043	3,404,411	3,440,595
Selling, marketing and distribution expenses	10	(774,224)	(1,043,164)	(1,741,736)	(1,910,138)
Administrative expenses		(241,974)	(225,357)	(478,063)	(440,046)
Other income		38,522	252,540	240,648	324,370
Other expenses		(47,590)	(68,331)	(114,590)	(124,724)
Profit from operations		509,072	595,731	1,310,670	1,290,057
Finance cost		(3,838)	(9,523)	(7,488)	(19,375)
Profit before taxation		505,234	586,208	1,303,182	1,270,682
Taxation		(197,412)	(276,718)	(510,512)	(557,000)
Profit after taxation		307,822	309,490	792,670	713,682
Other comprehensive income		-	-	-	-
Total comprehensive income		307,822	309,490	792,670	713,682
Earnings per share	11	Rs. 0.97	Rs. 0.97	Rs.2.49	Rs.2.24

The annexed notes 1 to 17 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 half year ended June 30, 2014 (Un-audited)

Rupees '000	Note	June 30, 2014	June 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	12	1,209,454	1,444,239
Payment for defined benefits obligations		(37,809)	(31,689)
Taxes paid		(369,419)	(518,920)
Decrease in long-term loans to employees		7,500	3,385
Increase in long-term deposits		(5,090)	-
Net cash generated from operating activities		804,636	897,015
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(314,981)	(494,607)
Proceeds from sale of operating fixed assets		33,524	58,398
Net cash used in investing activities		(281,457)	(436,209)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(952,304)	(985,133)
Net increase in cash and cash equivalents		(429,125)	(524,327)
Cash and cash equivalents at the beginning of the period		2,097,268	2,315,744
Cash and cash equivalents at the end of the period	13	1,668,143	1,791,417

The annexed notes 1 to 17 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 half year ended June 30, 2014 (Un-audited)

Rupees '000	Share capital	Reserves – Capital: Reserve arising on amalgamation	Reserves – Capital: Issue of bonus shares	Reserves – Revenue: General reserve	Reserves – Revenue: Unappropriated profit	Total
Balance as at January 1, 2013	2,631,960	2,184,238	-	3,999,970	2,577,270	11,393,438
Final dividend for the year ended December 31, 2012 @ Rs. 4 per share	-	-	-	-	(1,052,784)	(1,052,784)
Transferred to reserve for issue of bonus shares	-	-	263,196	-	(263,196)	-
Bonus shares issued during the period in the ratio of 1 share for every 10 shares held	263,196	-	(263,196)	-	-	-
Total comprehensive income for the half year ended June 30, 2013	-	-	-	-	713,682	713,682
Balance as at June 30, 2013	2,895,156	2,184,238	-	3,999,970	1,974,972	11,054,336
Balance as at January 1, 2014	2,895,156	2,184,238	-	3,999,970	2,269,949	11,349,313
Final dividend for the year ended December 31, 2013 @ Rs. 3.5 per share	-	-	-	-	(1,013,305)	(1,013,305)
Transferred to reserve for issue of bonus shares	-	-	289,516	-	(289,516)	-
Bonus shares issued during the period in the ratio of 1 share for every 10 shares held	289,516	-	(289,516)	-	-	-
Total comprehensive income for the half year ended June 30, 2014	-	-	-	-	792,670	792,670
Balance as at June 30, 2014	3,184,672	2,184,238	-	3,999,970	1,759,798	11,128,678

The annexed notes 1 to 17 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 half year ended June 30, 2014 (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. 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, 2013.

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, 2013.

3.1 Taxes on income are accrued using tax rate that would 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, 2013, 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 New standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2014 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

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 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 the same as those that were applied to financial statements as at and for the year ended December 31, 2013.

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, 2013.

Rupees '000	Un-audited June 30, 2014	Audited December 31, 2013
5. FIXED ASSETS		
Operating assets - note 5.1	5,053,097	5,075,833
Capital work-in-progress	891,883	854,849
Major spare parts and stand-by equipments	65,584	42,722
	6,010,564	5,973,404

Rupees '000	Additions (at cost)		Disposals* (at net book value)	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
5.1 Details of additions to and disposals of operating fixed assets are as follows:				
Freehold land	-	-	174	-
Improvements on buildings	12,800	45,970	23,001	17,501
Plant and Machinary	84,929	506,363	8,874	24,925
Vehicles	83,913	61,616	18,658	29,270
Office equipments	44,761	26,000	1,098	2,050
Furniture and fixtures	5,157	17,493	25	178
Major spare parts stand by equipments	23,816	11,307	4,371	2,453
	255,376	668,749	56,201	76,377

* Include items reclassified as non-current assets classified as held for sale - note 7.

5.2 Change in accounting estimates

Considering the realignment in process at certain manufacturing facilities of the Company, during the period the Company has changed the useful life of certain plant and machinery from 10 years to 15 years, which resulted in revision of depreciation rates. Company believes that the said changes in estimate reflects more accurately the useful life and pattern of consumption of economic benefits of the respective assets. These changes have been accounted for prospectively in accordance with the requirements of International Accounting Standards (IAS)-8 "Accounting Policies, Changes in Accounting Estimates and Errors."

Had the Company not made the above referred changes in accounting estimates, profit before tax for the half year ended June 30, 2014 would have been lower by Rs. 62.93 million. Consequently, due to the above change in accounting estimate, future profits before tax would decrease by Rs. 62.93 million.

6. STOCK-IN-TRADE

Stock-in-trade includes items costing Rs. 2.04 billion (December 31, 2013: Rs. 2.18 billion) valued at net realisable value of Rs. 1.83 billion (December 31, 2013: Rs. 1.93 billion).

Selected notes to and forming part of the Condensed Interim Financial Information

Rupees '000	Un-audited June 30, 2014	Audited December 31, 2013
7. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE		
Freehold land	174	-
Building on freehold land	23,001	-
Plant and machinery	2,012	-
Office equipment	600	-
Furniture and fixtures	25	-
	25,812	-

7.1 During the period, the Company has initiated assessment of disposal of its land located at 18.5 Km, Ferozepur Road, Lahore measuring approximately 27 acres alongwith the related operating assets. As the market value is expected to be higher than net carrying value of these assets prior to such classification, provision for impairment accumulating to Rs. 24.57 million in respect of these assets has been reversed.

Rupees '000	Un-audited June 30, 2014	Audited December 31, 2013
8. TRADE AND OTHER PAYABLES		
Creditors and bills payable	1,896,720	2,237,116
Accrued liabilities	1,959,406	2,041,344
Others	1,466,397	1,282,969
	5,322,523	5,561,429

9. CONTINGENCIES AND COMMITMENTS

9.1 Following are the changes in the status of contingencies as reported in the financial statements for the year ended December 31, 2013:

Company's appeals to Commissioner Inland Revenue (Appeals) (CIRA) in respect of its income tax assessments for tax years 2000-01 to 2002-03 have been decided whereby additions to income in respect of certain raw materials have been deleted, resulting in deletion of tax demand to the extent of Rs. 26.8 million. The Company has filed appeal before the Appellate Tribunal Inland Revenue against the additions to income confirmed by the CIRA whereas the department has filed appeal before the Appellate Tribunal Inland Revenue against the additions to income deleted by CIRA.

During the period, while finalising the assessments of the Company for tax year 2011 (accounting year ended December 31, 2012) the Deputy Commissioner (DC) made additions to income raising tax demands of Rs. 98.64 million on the contention that the Company had allegedly paid excessive amounts on account of royalty and technical fees, for importing certain raw materials and stock written off. The Company has filed appeal with the CIRA in respect of the said matter.

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

9.2 Commitments for capital expenditure outstanding as at June 30, 2014 amounted to Rs. 438.78 million (December 31, 2013: Rs. 232.34 million).

10. SELLING, MARKETING AND DISTRIBUTION EXPENSES

This includes advertising and sales promotion expenses of Rs. 715.84 million (June 30, 2013: 892.25 million).

Rupees '000	June 30, 2014	June 30, 2013
11. EARNINGS PER SHARE		
Profit after taxation	792,670	713,682
Weighted average number of shares outstanding during the period - 11.1	318,467	318,467
Earnings per share - basic	Rs. 2.49	Rs. 2.24

11.1 The weighted average number of shares outstanding during the period ended June 30, 2013 has been increased to reflect the bonus shares issued during the period ended June 30, 2014.

11.2 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.

Rupees '000	June 30, 2014	June 30, 2013
12. CASH GENERATED FROM OPERATIONS		
Profit before taxation	1,303,182	1,270,682
Add / (less): Adjustments for non-cash charges and other items		
Depreciation	223,677	233,517
Impairment reversal - net off charge	(21,211)	(36,657)
(Gain) / loss on disposal of operating fixed assets	(7,506)	15,524
Provision for staff retirement benefits	52,472	46,259
Profit before working capital changes	1,550,614	1,529,325
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Stores and spares	2,441	(5,045)
Stock-in-trade	253,672	(1,023,361)
Trade debts	(247,353)	(176,629)
Loans and advances	(41,308)	(89,820)
Trade deposits and prepayments	(120,297)	(125,698)
Interest accrued	4,277	8,239
Refunds due from government	6,418	26,192
Other receivables	64,107	(7,266)
	(78,043)	(1,393,388)
(Decrease) / increase in current liabilities		
Trade and other payables	(276,382)	1,328,620
Provisions	13,265	(20,318)
	(341,160)	(85,086)
	1,209,454	1,444,239

Selected notes to and forming part of the Condensed Interim Financial Information

Rupees '000		June 30, 2014	June 30, 2013
13. CASH AND CASH EQUIVALENTS			
Cash and bank balances		1,521,303	1,592,628
Short term investments - Treasury bills		146,840	198,789
		1,668,143	1,791,417
14. TRANSACTIONS WITH RELATED PARTIES			
Relationship	**Nature of transactions**		
Holiday company:	Dividend paid	780,183	810,580
Associated companies:	a. Royalty expense charged	119,485	116,259
	b. Purchase of goods	2,218,282	2,523,656
	c. Purchase of fixed assets	5,446	-
	d. Sale of goods	63,224	63,827
	e. Recovery of expenses	10,803	10,495
	f. Service fee on clinical trial studies	912	703
	g. Services received	884	860
Staff retirement funds:	a. Expense charged for retirement benefit plans	96,674	86,278
	b. Payments to retirement benefit plans	82,011	71,708
Key management personnel:	a. Salaries and other employee benefits	113,243	110,068
	b. Post employment benefits	5,031	7,756
	c. Proceeds from sale of fixed assets	1,050	4,774
	d. Legal/professional fee	1,525	-

15. SEGMENT INFORMATION

Management has determined the operating segments based on the information that is presented to the chief operation decision-maker of the Company for allocation of resources and assessment of performance. Based on internal management reporting structure the Company is organised into two operating segments being (i) pharmaceuticals and (ii) consumer healthcare.

Management monitors the operating results of above mentioned segments separately for the purpose of making decisions about resources to be allocated and for assessing performance.

Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

15.1 The financial information regarding operating segments is as follows:

Rupees '000.	Half year ended June 30, 2014 Pharma-ceuticals	Half year ended June 30, 2014 Consumer healthcare	Half year ended June 30, 2014 Total	Half year ended June 30, 2013 Pharma-ceuticals	Half year ended June 30, 2013 Consumer healthcare	Half year ended June 30, 2013 Total
Revenue	11,281,906	2,287,441	13,569,347	10,520,828	2,047,707	12,568,535
Cost of sales	(8,607,321)	(1,557,615)	(10,164,936)	(7,708,394)	(1,419,546)	(9,127,940)
Gross Profit	2,674,585	729,826	3,404,411	2,812,434	628,161	3,440,595
Selling, marketing and distribution expenses	(1,217,021)	(524,715)	(1,741,736)	(1,357,811)	(552,327)	(1,910,138)
Administrative expenses	(438,030)	(40,033)	(478,063)	(403,330)	(36,716)	(440,046)
Segment results	1,019,534	165,078	1,184,612	1,051,293	39,118	1,090,411
Other expenses			(114,590)			(124,724)
Other income			240,648			324,370
Finance cost			(7,488)			(19,375)
Profit before taxation			1,303,182			1,270,682

15.2 There are no inter-segment sales.

15.3 Analysis of segments' assets and liabilities and their reconciliation to total assets and liabilities:

Rupees '000.	As at June 30, 2014 Pharma-ceuticals	As at June 30, 2014 Consumer healthcare	As at June 30, 2014 Total	As at December 31, 2013 Pharma-ceuticals	As at December 31, 2013 Consumer healthcare	As at December 31, 2013 Total
Segment assets	13,596,217	1,124,911	14,721,128	13,685,915	897,421	14,583,336
Unallocated assets			2,807,327			3,355,474
Total assets			17,528,455			17,938,810
Segment liabilities	4,594,082	584,715	5,178,797	5,122,799	382,144	5,504,943
Unallocated liabilities			1,220,980			1,084,554
Total liabilities			6,399,777			6,589,497

15.4 The Company has realigned certain brands from Pharmaceuticals segment to Consumer healthcare segment, in line with group strategy envisaged at helping these products achieve better market penetration. Due to this realignment, revenue and segment results of comparative period relating to Consumer healthcare / Pharmaceuticals segment have been increased / decreased by Rs. 250.17 million and Rs. 69.53 million respectively.

15.5 Non-current assets classified as held for sale are included in segment assets of Pharmaceuticals segment.

16. CORRESPONDING FIGURES

Corresponding figures have been re-arranged and reclassified, wherever necessary for purpose of comparison. There were no significant reclassifications in this condensed interim financial information.

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 August 22, 2014.

M. Salman Burney
Chief Executive

Yahya Zakaria
Chief Financial Officer

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GlaxoSmithKline Pakistan Limited
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