



do more
feel better
live longer

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. Yahya Zakaria
Director Finance

Audit Committee

Mr. Husain Lawai
Chairman

Mr. Mehmood Mandviwalla
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

Syed Azeem Abbas 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

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

Company Secretary

Syed Azeem Abbas 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

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

* Mr. Abdul Samad (appointed CFO as of 1 July 2015)

CORPORATE INFORMATION



Sykes Building



OUR VISION, MISSION & VALUES

Our Vision

GSK's vision is inspiring:

“The opportunity to make a difference to the millions of lives everyday”

At GSK we perform in unison by following our strong value system and ethical guidelines as a source of direction and inspiration to help achieve our vision.

Each and every member of the GSK family plays a vital role in improving the quality of human life. GSK's growth and development can be attributed to the contribution of the skills, talents and ideas of its people.

GSK follows its core values of respect for people, patient focused, transparency and integrity. We are proud of our commitment that enables us to enhance the quality of peoples' lives and helps us to provide them with quality products.

Our Mission

GSK's quest is to improve the quality of human life by enabling people to

“Do more, feel better, live longer”

At GSK our mission acts as an underlying principle to whatever we do. We follow a legacy of great science and innovative healthcare that provides people around the world with healthier and fulfilled lives, every single day.

Our Values

Respect for People

We believe that respecting each other is the key to progress and growth for our business, employees and customers. Our employment practices are designed to create a culture, in which all GSK employees feel valued, empowered and inspired to achieve our goals.

Patient Focused

Our commitment to our purpose of improving the lives of billions ensures that all our efforts, be it research, manufacturing or distribution are geared towards improving patient access to quality health solutions.

Transparency

As our business evolves to meet global challenges, so do our existing systems for which transparency is integral. By being transparent about what we do and how, we earn and build trust.

Integrity

Our guiding principles go beyond complying with legal and ethical regulations. Each member of the GSK family takes pride in doing what is right for the patients and consumers, placing them at the heart of every decision we make. In doing so, we demonstrate integrity in action, at every level, every day.

DIRECTORS' REVIEW

I am pleased to present the un-audited financial information of your Company for the half year ended June 30, 2015. This financial information is submitted in accordance with Section 245 of the Companies Ordinance, 1984.

Review of Operating Results

Net Sales for the first half year were recorded at Rs 14.3 billion, showing a growth of 5.7% over the corresponding period last year. This was achieved despite supply constraints and uncertainty around the pricing policy which with ongoing delays in hardship cases is making products unviable. Within the Pharmaceutical business, growth drivers included various Antibiotics, Gastrointestinal and Vitamin products. The Consumers Health Care business achieved sales of Rs 2.6 billion with double digit growth, key growth drivers being Horlicks and Sensodyne.

Export sales of your Company continued to perform well reflecting a growth of 8.8% compared to same period last year

Demerger of Consumer HealthCare business

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 GlaxoSmithKline Pakistan Limited (the "Company") in its meeting held on 25 August 2015 at GlaxoSmithKline Pakistan Limited Head Office, 35 Dockyard Road, West Wharf, Karachi has approved the demerger through scheme of arrangement whereby the

Company's Consumer HealthCare business will be separated into a legal entity namely GlaxoSmithKline Consumer Healthcare Pakistan Limited. The said demerger, as per the scheme, will be based on a proposed share issue ratio where 3 shares of GlaxoSmithKline Consumer Healthcare Pakistan Limited will be issued to the shareholders of the Company for every 10 shares held by them. This is subject to approval by the shareholders of both the Companies and the Honorable High Court of Sindh at Karachi.

Once the Scheme of Arrangement under section 284 to 287 of the Companies Ordinance, 1984 is duly approved by the shareholders and sanctioned by the Honorable High Court of Sindh at Karachi, the assets, rights, liabilities and obligations of the Consumer Healthcare business of the Company will be transferred to and vested in GlaxoSmithKline Consumer Healthcare Pakistan Limited, a Public Limited company formed for this purpose.

Post demerger GlaxoSmithKline Consumer Healthcare Pakistan Limited will be listed on the Karachi and Lahore Stock Exchanges accordingly.

Consequently and in line with the IFRS standards, the Consumer segment has been reported as discontinuing operation. Relevant disclosures are being made in these condensed interim financial information.

Rupees in million	(Un-audited)					
	Half year ended June 30, 2015			Half year ended June 30, 2014		
	Continuing Operations	Discontinuing Operation	Total	Continuing Operations	Discontinuing Operation	Total
Net sales	11,775	2,567	14,342	11,282	2,287	13,569
Cost of sales	(8,631)	(1,737)	(10,368)	(8,545)	(1,620)	(10,165)
Gross profit	3,144	830	3,974	2,737	667	3,404
Selling, marketing and distribution expenses	(1,507)	(569)	(2,076)	(1,238)	(504)	(1,742)
Administrative expenses	(472)	(42)	(514)	(439)	(39)	(478)
Other operating expenses	(107)	(17)	(124)	(105)	(10)	(115)
Other income	163	-	163	241	-	241
Finance cost	(10)	-	(10)	(7)	-	(7)
Profit before taxation	1,211	202	1,413	1,189	114	1,303
Taxation	(487)	(93)	(580)	(458)	(52)	(510)
Profit after taxation	724	109	833	731	62	793

The gross margin of your Company for the half year ended at 27.7% and improved by 2.6% from the comparative period last year. The margin improvement has been achievement through stable exchange rate, product portfolio rationalization, a better sales mix, price adjustments on a few older products and synergies through consolidation of manufacturing operations.

Selling, marketing and distribution expenses recorded at Rs 2,076.1 million increased by 19.2% mainly due to a one off provision for restructuring our pharmaceutical business. This restructuring is likely to positively impact long term cost and business viably. Excluding this restructuring cost, the expenses increased by 6.6% due to sustained promotional and selling investment in core and new brands and sales growth. Administrative expenses rose by 7.5% over the corresponding period to Rs 513.7 million in the current period mainly reflecting impact of general inflation.

Excluding the effect of significant exchange rate gain during first half 2014, other operating income showed a marginal increase due to gain on sale of fixed assets. Your Company reported net profit after tax of Rs 832.9 million which is an increase of 5%.

Capital expenditure was recorded at Rs 614.0 million (June 30, 2014: Rs 314.9 million). During the period under review, the Company invested mainly on plant up-gradations and capacity enhancement initiatives particularly at Korangi manufacturing facility.

The surplus funds of the Company decreased by Rs 1,079.2 million during the period as compared to the year-end balance at December 31, 2014 mainly due to a dividend payout of Rs 1.6 billion for 2014.

Subsequent to the period under review proceeds amounting to Rs 914.7m have been received for sale of land at 18.5 Km Ferozepur Road, Lahore against an agreed total value of Rs 944.5m. The remaining amount of Rs 29.8m have been secured via bank guarantee.

Future Outlook and Challenges

The Pharma Industry has a great potential for generating economic value to the country in terms of providing quality medicines at affordable prices, domestic value addition, creating employment as well as significantly enhances the country's export revenues.

Over the past many years, the industry has continued to suffer from the lack of transparent market oriented regulatory policies, benchmarked with other regional countries. The absence of a rational pricing policy has impeded the growth of this important sector and severely curtailed its economic potential for the country.

After a decade long concerted effort on the part of the industry, the Government finally notified a Drug Pricing Policy in March 2015. The new Policy contains many challenges and concerns that will need to be addressed including a contentious clause which seeks to retrospectively rescind the price increases notified in November 2013. Certain aspects of the policy including this clause have been challenged in court by the Industry and the matter is subjudice, however we do believe that the policy is an important first step towards developing a transparent and predictable regulatory regime that would look after the interests of all stakeholders involved, ensuring the availability of quality affordable medicines and the continuity 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.

By order of the Board



M. Salman Burney
Chief Executive
Karachi
August 25, 2015

AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of GlaxoSmithKline Pakistan Limited as at June 30, 2015 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof for the half year then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarters ended June 30, 2015 and 2014 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2015.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended June 30, 2015 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 28, 2015

Name of the Engagement Partner: Mohammad Zulfikar Akhtar

CONDENSED INTERIM BALANCE SHEET

AS AT JUNE 30, 2015

Rupees '000	Note	(Un-audited) June 30, 2015	(Audited) December 31, 2014
NON-CURRENT ASSETS			
Fixed assets	5	6,660,428	6,652,251
Intangibles	6	996,072	955,742
Long-term loans to employees		57,706	65,722
Long-term deposits		21,955	21,955
		7,736,161	7,695,670
CURRENT ASSETS			
Stores and spares		153,936	158,775
Stock-in-trade	7	5,205,005	6,308,061
Trade debts		593,929	535,116
Loans and advances		495,156	414,641
Trade deposits and prepayments		245,691	144,669
Interest accrued		1,942	5,793
Refunds due from government		56,862	56,925
Other receivables		212,433	301,986
Taxation - payments less provision		628,947	799,984
Investments		98,562	591,667
Cash and bank balances		1,474,396	2,060,444
		9,166,859	11,378,061
Non-current assets and assets of disposal group classified as held for sale	8	1,973,833	27,147
		18,876,853	19,100,878
SHARE CAPITAL AND RESERVES			
Share capital		3,184,672	3,184,672
Reserves		8,000,984	8,760,431
		11,185,656	11,945,103
NON-CURRENT LIABILITIES			
Staff retirement benefits		413,411	382,253
Deferred taxation		504,136	593,354
		917,547	975,607
CURRENT LIABILITIES			
Trade and other payables	9	5,542,102	6,002,632
Provisions	10	411,874	177,536
		5,953,976	6,180,168
Liabilities of disposal group classified as held for sale	8	819,674	-
Total liabilities		7,691,197	7,155,775
CONTINGENCIES AND COMMITMENTS			
	11		
		18,876,853	19,100,878

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.



M. Salman Burney
Chief Executive



Abdul Samad
Chief Financial Officer

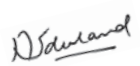
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

FOR THE HALF YEAR ENDED JUNE 30, 2015 (UN-AUDITED)

Rupees '000	Note	Quarter ended		Half year ended	
		June 30, 2015	June 30, 2014 (Re-stated) - note 1.1	June 30, 2015	June 30, 2014 (Re-stated) - note 1.1
Continuing Operations:					
Net sales		5,993,198	5,286,113	11,774,598	11,281,903
Cost of sales		(4,418,542)	(4,053,534)	(8,630,712)	(8,544,889)
Gross profit		1,574,656	1,232,579	3,143,886	2,737,014
Selling, marketing and distribution expenses	12	(912,128)	(548,597)	(1,507,269)	(1,237,279)
Administrative expenses		(242,560)	(222,451)	(472,244)	(439,339)
Other operating expenses		(42,109)	(44,749)	(107,107)	(104,953)
Other income		63,079	38,522	163,302	240,648
Operating profit		440,938	455,304	1,220,568	1,196,091
Finance charges		(4,609)	(3,838)	(9,928)	(7,488)
Profit before taxation		436,329	451,466	1,210,640	1,188,603
Taxation	13	(177,959)	(166,492)	(486,612)	(458,308)
Profit after taxation from continuing operations		258,370	284,974	724,028	730,295
Discontinuing Operation:					
Profit after taxation from discontinuing operation	8	59,930	22,848	108,861	62,375
Other comprehensive income					
		-	-	-	-
Total comprehensive income					
		318,300	307,822	832,889	792,670
Earnings per share - basic	14				
- continuing operations		Re. 0.81	Re. 0.90	Rs. 2.27	Rs. 2.29
- discontinuing operation		Re. 0.19	Re. 0.07	Re. 0.34	Re. 0.20
		Re. 1.00	Re. 0.97	Rs. 2.61	Rs. 2.49

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.


M. Salman Burney
 Chief Executive


Abdul Samad
 Chief Financial Officer

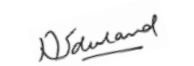
CONDENSED INTERIM CASH FLOW STATEMENT

FOR THE HALF YEAR ENDED JUNE 30, 2015 (UN-AUDITED)

Rupees '000	Note	June 30, 2015	June 30, 2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	15	1,530,878	1,209,454
Staff retirement benefits paid		(40,264)	(37,809)
Income taxes paid		(514,963)	(369,419)
Decrease in long-term loans to employees		8,016	7,500
Increase in long-term deposits		-	(5,090)
Net cash generated from operating activities		983,667	804,636
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(613,956)	(314,981)
Proceeds from sale of operating assets		43,765	33,524
Net cash used in investing activities		(570,191)	(281,457)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(1,492,629)	(952,304)
Net decrease in cash and cash equivalents		(1,079,153)	(429,125)
Cash and cash equivalents at beginning of the period		2,652,111	2,097,268
Cash and cash equivalents at end of the period	16	1,572,958	1,668,143

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.


M. Salman Burney
 Chief Executive


Abdul Samad
 Chief Financial Officer


CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED JUNE 30, 2015 (UN-AUDITED)

Rupees '000	Share Capital	Reserves				Total
		Capital		Revenue		
		Reserve arising on amalgamation	Issue of bonus shares	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
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 year 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
Balance as at January 01, 2015	3,184,672	2,184,238	-	3,999,970	2,576,223	11,945,103
Final dividend for the year ended December 31, 2014 @ Rs. 5 per share	-	-	-	-	(1,592,336)	(1,592,336)
Total comprehensive income for the half year ended June 30, 2015	-	-	-	-	832,889	832,889
Balance as at June 30, 2015	3,184,672	2,184,238	-	3,999,970	1,816,776	11,185,656

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.


M. Salman Burney
Chief Executive


Abdul Samad
Chief Financial Officer

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

FOR THE HALF YEAR ENDED JUNE 30, 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 ethical specialties, other 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.

1.1 DISCONTINUING OPERATION

During the year ended December 31, 2014, GlaxoSmithKline plc, UK (GSK plc) announced a major global three-part inter-conditional transaction with Novartis AG, Switzerland (Novartis) on April 22, 2014, whereas GSK plc and Novartis will work to create a new world-leading Consumer healthcare business with GSK plc holding a controlling equity interest of 63.5%. Further, GSK plc will also acquire Novartis's global vaccines business (excluding influenza vaccines) whereas 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.

Pursuant to the global transaction, the Board of Directors of the Company in their meeting held on February 25, 2015 considered various options and in principle decided for its demerger.

Subsequently, the Board of Directors in their meeting held on August 25, 2015 approved a Scheme of Arrangement and Reconstruction (the Scheme) of the Company. The Scheme envisages demerger of the Company's Consumer Healthcare Business into a separate legal entity subject to approval by the Company's shareholders and sanction by the Honourable High Court of Sindh whereunder, after requisite approvals, the assets, rights, liabilities and obligations of the Company relating to Consumer Healthcare Business will be transferred to and vested in GlaxoSmithKline Consumer Healthcare Pakistan Limited.

Consequently, the relevant assets and liabilities of the Company relating to Consumer Healthcare Business have been classified as disposal group in accordance with IFRS 5 - 'Non-current assets held for sale and discontinued operations' and have been disclosed in note 8.2 of this condensed interim financial information. The profit and loss and net cashflows attributable to the operating and investing activities of the Consumer Healthcare Business have been disclosed as discontinued operation in notes 8.1 and 8.4 to this condensed interim financial information respectively.

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, 2014.

2.1 Changes in accounting standards, interpretations and pronouncements

a) Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

Following amendments to existing standard and interpretation have been published and are mandatory for accounting periods beginning on or after January 1, 2015 and are considered to be relevant to the Company's operations.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirement for use across IFRSs. The requirement do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The standard will affect the determination of fair value and its related disclosures in the financial statements of the Company.

b) Standards, interpretations and amendments to published approved accounting standards that are not yet effective

There are certain new standards, amendments to the approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after January 1, 2015, but are considered not to be relevant or have any significant effect on the Company's reporting and are therefore, not disclosed in this condensed interim financial information.

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, 2014.

- 3.1** Taxes on income are accrued using the average tax rate that is expected to be applicable to the full financial year.
- 3.2** Actuarial valuations are carried out on annual basis. The last actuarial valuation was carried out on December 31, 2014, therefore no impact has been calculated for the current period and comparative condensed financial information has also not been adjusted for the same reason.
- 3.3** Non-current assets (or disposal groups) are classified as assets held for sale when sale / distribution is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgements that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

Judgements and estimates made by the management in the preparation of this condensed interim financial information are the same as those that were applied to financial statements as at and for the year ended December 31, 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.

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

FOR THE HALF YEAR ENDED JUNE 30, 2015 (UN-AUDITED)

Rupees '000	Note	Un-audited June 30, 2015	Audited December 31, 2014
5. FIXED ASSETS			
Operating assets	5.1	5,232,877	5,318,400
Capital work-in-progress		1,348,873	1,259,309
Major spare parts and standby equipments	5.1	78,678	74,542
		<u>6,660,428</u>	<u>6,652,251</u>

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

Rupees '000	Additions (at cost)		Disposals* (at net book value)	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30 2014
Freehold land	–	–	–	174
Improvements on buildings	24,883	12,800	–	23,001
Plant and machinery	96,931	84,929	4,782	8,874
Furniture and fixtures	1,525	5,157	–	25
Vehicles	77,794	83,913	51,467	18,658
Office equipments	20,462	44,761	621	1,098
Major spare parts and standby equipments	24,105	23,816	19,969	4,371
	<u>245,700</u>	<u>255,376</u>	<u>76,839</u>	<u>56,201</u>

* Includes items reclassified as disposal group classified as held for sale - note 8.

Rupees '000	Note	Un-audited June 30, 2015	Audited December 31, 2014
6. INTANGIBLES			
Goodwill		955,742	955,742
Marketing authorisation rights	6.1	40,330	–
		<u>996,072</u>	<u>955,742</u>

6.1 During the period, the Company has made a payment of Rs. 40.3 million as consideration in respect of acquiring marketing authorisation rights in relation to Novartis's vaccines business. This is in line with major global three-part inter-conditional transaction between GlaxoSmithKline plc, UK and Novartis AG, Switzerland announced on April 22, 2014 to acquire Novartis's global vaccines business (excluding influenza vaccines).

7. STOCK-IN-TRADE

7.1 Stock-in-trade includes items costing Rs. 1.42 billion (December 31, 2014: Rs. 1.73 billion) valued at net realisable value of Rs. 1.25 billion (December 31, 2014: Rs. 1.51 billion).

7.2 Stock of Rs. 289.45 million (December 31, 2014: Rs. 26.15 million) have been written off against provision during the period.

8. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUING OPERATION

8.1 Profit / loss from discontinuing operation for the half year ended:

Rupees '000	Quarter ended		Half year ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30 2014
Net Sales	1,262,120	1,140,286	2,566,925	2,287,444
Cost of sales	(826,918)	(838,527)	(1,736,979)	(1,620,047)
Gross profit	435,202	301,759	829,946	667,397
Selling, marketing and distribution expenses	(277,155)	(225,627)	(568,847)	(504,457)
Administrative expenses	(20,885)	(19,523)	(41,457)	(38,724)
Other operating expenses	(10,191)	(2,841)	(17,393)	(9,637)
Profit before taxation	126,971	53,768	202,249	114,579
Taxation	(67,041)	(30,920)	(93,388)	(52,204)
Profit after taxation	59,930	22,848	108,861	62,375

8.2 Assets and liabilities of disposal group classified as held for sale:

Rupees '000	(Un-audited) June 30, 2015
Assets	
Fixed assets - note 8.2.1	30,994
Deferred taxation	16,782
Stock-in-trade	1,464,925
Trade debts	192,449
Loans and advances	241,536
Total assets	1,946,686
Liabilities	
Trade and other payables	819,674
Total net assets	1,127,012

8.2.1 These assets include additions to vehicles amounting to Rs. 2.5 million.

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

FOR THE HALF YEAR ENDED JUNE 30, 2015 (UN-AUDITED)

8.3 Non-current assets classified as held for sale:

During the period, the Company has entered into an agreement to sell its land located at 18.5 Km, Ferozepur Road, Lahore measuring approximately 26.84 acres alongwith the related operating assets for a total value of Rs. 944.5 million. The sale has been concluded subsequent to the period end.

Following are the net book values of these assets:

Rupees '000	Un-audited June 30, 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 fixtures	25	25
	27,147	27,147

8.4 Cash flows relating to discontinuing operation for the half year ended:

Rupees '000	June 30, 2015	June 30, 2014
Net cash (used in) / generated from operating activities	(281,056)	52,422
Net cash (used in) investing activities	(734)	(2,272)

Rupees '000	Un-audited June 30, 2015	Audited December 31, 2014
9. TRADE AND OTHER PAYABLES		
Creditors and bills payable	2,088,086	1,619,977
Accrued liabilities	2,044,897	3,117,822
Others	1,409,119	1,264,833
	5,542,102	6,002,632

Rupees '000	Un-audited June 30, 2015	Audited December 31, 2014
10. PROVISIONS		
Balance at the beginning of the period	177,536	165,079
Charge for the period	235,637	30,730
Payments during the period	(1,299)	(18,273)
Balance at the end of the period	<u>411,874</u>	<u>177,536</u>

10.1 Provisions include restructuring costs and government levies of Rs. 284.46 million and Rs. 127.41 million (December 31, 2014: Rs. 64.85 million and Rs. 112.69 million) respectively.

11. CONTINGENCIES AND COMMITMENTS

11.1 Following is the change in the status of contingencies as reported in the financial statements for the year ended December 31, 2014:

During the period, monitoring proceedings of withholding tax for the tax year 2014 (accounting year ended December 31, 2013) Assistant Commissioner Inland Revenue (ACIR) issued a notice under section 161 (1A) / 205 of the Income Tax Ordinance, 2001. Such notice has been issued with a contention that the Company has allegedly not deducted applicable withholding taxes under section 149, 150, 152, 153, 156, 233 and 236 (A) of the said Ordinance. The Company has filed a civil suit before the Honourable Sindh High Court against the said notice. The Honourable Sindh High Court has granted stay against the recovery proceedings.

11.2 Commitments for capital expenditure outstanding as at June 30, 2015 amounted to Rs. 1,029.49 million (December 31, 2014: Rs. 1,077.17 million).

12. SELLING, MARKETING AND DISTRIBUTION EXPENSES

This includes advertising and sales promotion expenses of Rs. 701.81 million (June 30, 2014: Rs. 715.84 million).

13. TAXATION

13.1 This includes a one-time prior year charge of super tax amounting to Rs. 114.4 million imposed for rehabilitation of temporarily displaced persons under section 4B of the Income Tax Ordinance, 2001 (as inserted by Finance Act 2015).

13.2 Finance Act, 2015 introduced income tax at the rate of 10% on undistributed reserves where such reserves of the Company are in excess of its paid up capital and the Company derives profits for a tax year but does not distribute requisite cash dividend within six months of the end of the said tax year. Liability in respect of such income tax, if any, is recognised when the prescribed time period for distribution of dividend expires. In respect of Tax Year 2015 (accounting year ended December 31, 2014), no such income tax liability exists for the Company since the cash dividend paid for the year ended December 31, 2014 exceeds the requisite threshold.

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

FOR THE HALF YEAR ENDED JUNE 30, 2015 (UN-AUDITED)

Rupees '000	June 30, 2015	June 30, 2014
14. EARNINGS PER SHARE		
Profit after taxation from continuing operations	724,028	730,295
Profit after taxation from discontinuing operation	108,861	62,375
	Number of shares	
Weighted average number of shares outstanding during the period	318,467,278	318,467,278
		(Re-stated)
Earnings per share - continuing operations	Rs. 2.27	Rs. 2.29
Earnings per share - discontinuing operation	Re. 0.34	Re. 0.20
Earnings per share - basic	Rs. 2.61	Rs. 2.49

14.1 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.


Rupees '000	June 30, 2015	June 30, 2014
15. CASH GENERATED FROM OPERATIONS		
Profit before taxation	1,412,889	1,303,182
Add / (less): Adjustments for non-cash charges and other items		
Depreciation and impairment	250,862	202,466
Gain on disposal of operating fixed assets	(18,289)	(7,506)
Provision for staff retirement benefits	71,422	52,472
Profit before working capital changes	1,716,884	1,550,614
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Stores and spares	4,839	2,441
Stock-in-trade	(361,869)	253,672
Trade debts	(251,262)	(247,353)
Loans and advances	(322,051)	(41,308)
Trade deposits and prepayments	(101,022)	(120,297)
Interest accrued	3,851	4,277
Refunds due from the government	63	6,418
Other receivables	89,553	64,107
	(937,898)	(78,043)
Increase / (decrease) in current liabilities		
Trade and other payables	517,554	(276,382)
Provisions	234,338	13,265
	(186,006)	(341,160)
	1,530,878	1,209,454

Rupees '000	June 30, 2015	June 30, 2014
16. CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,474,396	1,521,303
Short term investments - Treasury bills	98,562	146,840
	1,572,958	1,668,143
17. TRANSACTIONS WITH RELATED PARTIES		
Relationship	Nature of transactions	
Holding company	Dividend paid	780,183
Associated companies:		
	a. Royalty expense charged	119,485
	b. Purchase of goods	2,218,282
	c. Purchase of property, plant and equipment	5,446
	d. Sale of goods	63,224
	e. Recovery of expenses	10,803
	f. Service fee on clinical trial studies	912
	g. Services received	884
Staff retirement funds:		
	a. Expense charged for retirement benefit plans	96,674
	b. Payments to retirement benefit plans	82,011
Key management personnel:		
	a. Salaries and other employee benefits	113,243
	b. Post employment benefits	5,031
	c. Proceeds from sale of fixed assets	1,050
	d. Legal / Professional fee	1,525

18. 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 25, 2015.


M. Salman Burney
 Chief Executive


Abdul Samad
 Chief Financial Officer



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GlaxoSmithKline Pakistan Limited

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