



do more
feel better
live longer



GlaxoSmithKline Pakistan Limited
Third Quarter Report 2018

Strengthening our DNA

Corporate Information

Board of Directors

Mr. Andrew Aristidou	Chairman
Mr. M. Azizul Huq	Chief Executive Officer
Mr. Abdul Samad	Chief Financial Officer
Mr. Mehmood Mandviwalla	Non-Executive Director
Mr. Sohail Matin	Non-Executive Director
Mr. Mark Dawson	Non-Executive Director
Mr. Casual Vacancy*	Independent Director

Audit Committee

Mr. Mehmood Mandviwalla	Member
Mr. Andrew Aristidou	Member
Mr. Mark Dawson	Member

Human Resource & Remuneration Committee

Mr. Mehmood Mandviwalla	Chairman
Mr. M. Azizul Huq	Member
Mr. Andrew Aristidou	Member

Management Committee

Mr. M. Azizul Huq
Chief Executive Officer

Mr. Abdul Samad
Chief Financial Officer

Syed Azeem Abbas Naqvi
Cluster Legal Director - Pakistan, Iran & Bangladesh

Dr. Naved Masoom Ali
Business Unit Director - Primary Care

Dr. Tariq Farooq
Business Unit Director - Speciality

Khurram Amjad
Director CTC and Commercial Excellence

Dr. Gohar Nayab Khan
Director Regulatory Affairs

Mr. Abdul Haseeb Pirzada
Head of Corporate Affairs and Administration

Mr. Ahmad Ali Zia
HR Cluster Head - Pakistan and Iran

Mr. Muhammad Imran Amin
Country Compliance Officer

Dr. Yousuf Khan
Director Medical

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

Mandviwalla & Zafar
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.gsk.com.pk

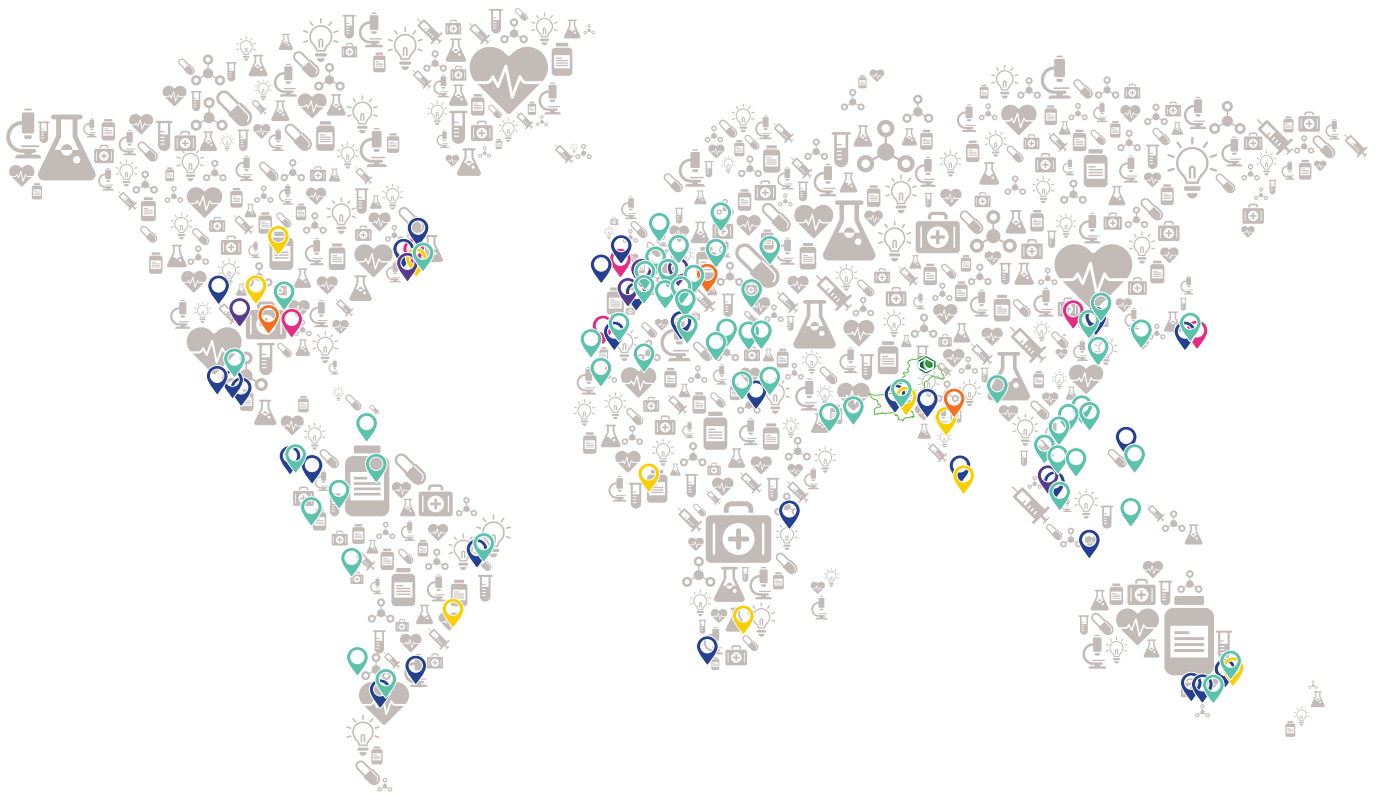
* Mr. Husain Lawai resigned as Independent Director w.e.f. September 11, 2018.









Sykes Building



Geographical Presence



-  Biologicals
-  Corporate
-  Consumer Healthcare
-  GMS
-  Pharmaceuticals
-  Research and Development

Directors' Report

I am pleased to present to you GSK Pakistan Limited's un-audited financial information for the nine months ended September 30, 2018. This financial information is being submitted in accordance with Section 227 of the Companies Act, 2017.

Review of Operating Results:

GSK Pakistan continued to exhibit stable growth despite substantial macro-economic challenges and achieved year to date net sales of Rs. 25.2 billion. This includes intercompany sales of Rs. 3.1 billion to GlaxoSmithKline Consumer Healthcare Pakistan Ltd., on account of products manufactured by the company, pending transfer of market authorization. Excluding this sale, our core Pharmaceutical business delivered net sales of Rs.22.1 billion reflecting a growth of 5.6%. Within the core pharmaceutical business, there were strong performances from Antibiotics, Analgesics and Dermatology portfolios.

During this period, we saw continuous pressure on the gross margin of the company. The gross profit margin for the nine months ended stands at 25.2%, a decline of 2.5 % compared to the same period last year. Margins have been impacted mainly due to devaluation of the rupee which has increased raw material costs and one off severance provision which will drive operation efficiencies in long term. The impact has been offset to a limited extent by annual CPI price increases and cost savings initiatives undertaken in manufacturing operations.

Selling, marketing and distribution expenses were recorded at Rs.2.6 billion, which represents an increase of Rs. 360 million. This constitutes a growth of 16.2%, which was mainly driven by product promotion for sustainable business growth in our core brands, one-off severance provision and increase in freight cost. Administrative expenses increased by Rs.48 million, registering a growth of 6.6% over the corresponding period last year.

Other operating income totaled Rs.578 million, which mainly includes promotional allowance and an insurance claim of Rs.127 million received in this period.

During this period your company posted an overall net profit after tax of Rs. 1.9 billion

Due to better cash flow management, the surplus funds of the company increased by Rs. 703 million and the company continued to invest in plant up-gradation in line with current good manufacturing process (cGMP). As necessary for the business the total capital expenditure incurred during the period was Rs. 639 million.

Outlook and Challenges:

GSK continues to have high expectations both in terms of growth and profitability from the Pakistan business – being one of the key countries within GSK's Emerging Markets.

However, the volatile economic situation and devaluation of the Pakistani Rupee is impacting our cost base and margin, resulting in significant challenge to meet expectations.

During this quarter, the new Government has taken over. Although it is still in its early days, we are looking forward to the new Government's roadmap to stabilize the economy and support private sector growth.

The 2018 drug pricing policy has come into effect and outstanding hardship cases that were remanded back to the regulator (DRAP) by the Supreme Court of Pakistan (SCP) have now been reviewed under this new policy. We are awaiting the outcome, pending completion of the process at the Federal Government end.

For the matter related to the 15% price increase accorded to the Industry vide SRO 1002, several pharmaceutical companies have filed a review petition before the SCP to seek clarity on whether or not this remains intact. The matter has not yet been listed for hearing.

As a responsible corporate citizen, we will continue to engage with the new Government and other relevant stakeholders to push for pragmatic policies that would enable us to meet our commitment to supply quality medicines and vaccines to enable people to do more, feel better & live longer.

Acknowledgment:

On behalf of the Board, I would like to applaud the passion and commitment of the GSK staff. Their efforts and commitment continue to play an important part achieving in GSK's objectives.

By order of the Board



M. Azizul Huq
Chief Executive Officer
Karachi
October 29, 2018

حکومت اور متعلقہ اسٹیک ہولڈرز کے ساتھ کارآمد پالیسیز کے لیے شریک عمل رہیں گے۔ جس کی بدولت ہم صحت عامہ کے ماہرین و معالجین کو معیاری ادویات اور ویکسینز کی فراہمی کے اہل بن سکیں گے، تاکہ وہ اپنے مریضوں کے لیے بھرپور امید، تندرستی اور طویل زندگی کے حصول میں مدد دے سکیں۔

اعتراف نامہ:

بورڈ کی طرف سے میں، GSK اسٹاف کے عزم اور انتھک محنت کو خراج تحسین پیش کرتا ہوں۔ ان کی کاوشوں اور خلوص نے اس مدت کے دوران GSK کے مقاصد کی تکمیل میں اہم کردار ادا کیا۔

حسب الحکم بورڈ



ایم عزیز الحق

چیف ایگزیکٹو آفیسر

کراچی

29 اکتوبر، 2018

ایسے حالات میں کہ جب بیجنٹ ان توقعات پر پورا اترنے کے لیے مسلسل مصروف عمل ہے، تو پاکستان کے بیرونی کاروباری ماحول میں درجنوں ایسی مشکلات اور ارتقائی مراحل کا سامنے رہے گا جو آپ کی کمپنی کی ترقی پر بھی بلاشبہ اثر انداز ہوں گی۔ ہمیں مسلسل پاکستانی روپے کی گرتی ہوئی قدر کا سامنا کرنا پڑ رہا ہے، جس نے ہماری پیداواری لاگت اور منافع پر اثر ڈالا ہے۔

نئی حکومت کو آئے ہوئے چونکہ چند دن ہی ہوئے ہیں، اس لیے ہمیں تھوڑا انتظار کرنا ہوگا اور دیکھنا ہوگا کہ وہ کس طرح اور کتنی جلدی معیشت کے استحکام اور نجی شعبے کی ترقی کے لیے کیا حکمت عملی اپناتی ہے۔

ڈرگ پرائسنگ پالیسی برائے 2018 پر عملدرآمد شروع ہو چکا ہے اور وہ زیر التوا ہارڈ شپ کیسز جو سپریم کورٹ آف پاکستان کی جانب سے ریگولیٹر (DRAP) کو واپس بھیج دیئے گئے تھے، اب انھیں اس پالیسی کے تحت نمٹایا جائے گا۔ DRAP کی جانب سے ہارڈ شپ پراڈکٹس کے نرخوں میں اضافے کے فیصلوں کو وفاقی کابینہ کی توثیق کے لیے بھیجا گیا ہے، جس کے بعد وفاقی حکومت اس حوالے سے اعلامیہ جاری کرے گی۔

انڈسٹری کے SRO 1002 کے مطابق، ادویات کی قیمتوں میں 15 فیصد اضافے کے معاملے کے حوالے سے مختلف فارماسیوٹیکل کمپنیز نے سپریم کورٹ آف پاکستان میں ایک پٹیشن جمع کرائی ہے، تاکہ یہ وضاحت مل سکے کہ آیا یہ اضافہ برقرار ہے یا نہیں۔ اس پٹیشن کی سماعت، تاحال نہیں ہو سکی ہے۔

ایک ذمہ دار کارپوریٹ شہری ہونے کے ناطے، ہم ہمیشہ کی طرح نئی

ڈائریکٹرز کا جائزہ:

میں GSK پاکستان لمیٹڈ کی غیر آڈٹ شدہ مالیاتی معلومات برائے اختتامِ نو ماہ 30 ستمبر، 2018 پیش کرتے ہوئے انتہائی خوشی محسوس کر رہا ہوں۔ یہ مالیاتی معلومات کمپنیز ایکٹ 2017 کے سیکشن 227 کے مطابق پیش کی جا رہی ہیں۔

عملی کارکردگی کے نتائج کا جائزہ:

فروخت، مارکیٹنگ اور تقسیم کاری کے اخراجات 2.6 بلین روپے ریکارڈ کیے گئے، جو کہ 360 ملین روپے کا اضافہ ظاہر کرتے ہیں۔ یہ 2.16 فیصد کی گروتھ ہے، جو ملازمت سے علیحدگی کے وقت بقایا جات کی مکمل ادائیگیوں، نقل و حمل کی لاگت میں اضافے اور ہماری پراڈکٹ کی تشہیر پر کی گئی زیادہ سرمایہ کاری کے باعث ہوئی۔ انتظامی اخراجات میں 48 ملین روپے کے اضافے کے ساتھ، پچھلے سال کی اسی مدت کے مقابلے میں 6.6 فیصد کی گروتھ ریکارڈ کی گئی۔

دیگر آپریٹنگ آمدنی 578 ملین روپے رہی، جس میں زیادہ حصہ پروموشنل الاؤنس اور 127 ملین روپے کی ایک انشورنس کے دعویٰ کا ہے، جو کہ اسی مدت کے دوران موصول ہوا۔ اس مدت کے دوران آپ کی کمپنی نے مجموعی طور پر 1.9 بلین روپے کا بعد از ٹیکس منافع حاصل کیا۔

بہتر کیش فلو مینجمنٹ کی بدولت کمپنی کے سرپلس فنڈز میں 703 ملین روپے کا اضافہ ہوا ہے اور کمپنی، کاروباری ضروریات کے مطابق موجودہ اشیاء کی تیاری کے طریقہ کار (cGMP) سے ہم آہنگ رہتے ہوئے پلانٹ کے تجدیدی عمل کو جاری رکھے ہوئے ہے۔ اس مدت میں مجموعی سرمایہ جاتی اخراجات 639 ملین روپے رہے۔

آئندہ کا منظر نامہ اور پیش آمدہ معاملات

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

GSK پاکستان نے بڑے اقتصادی چیلنجز کا مسلسل سامنا کرنے کے باوجود مستحکم ترقی کی جانب پیش قدمی جاری رکھی اور رواں برس تا حال 25.2 بلین روپے کی نیٹ سیلز حاصل کر لیں۔ اس میں کمپنی کی جانب سے تیار کردہ پراڈکٹس، مارکیٹ سے منظوری کی زیر التوا منتقلی کے باعث گلیکسو اسمتھ کلائن کنزیومر ہیلتھ کیئر پاکستان لمیٹڈ کو، کی جانے والی 3.1 بلین روپے کی کمپنی کے مابین ہونے والی سیلز شامل ہیں۔ اس سیلز سے قطع نظر، ہمارے بنیادی فارماسیوٹیکل بزنس نے 5.6 فیصد کی ترقی کے ساتھ 22.1 بلین روپے کی نیٹ سیلز حاصل کیں۔ ہمارے بنیادی فارماسیوٹیکل بزنس میں، ہمارے اینٹی بائیوٹکس، اینیل جیسکس، گیسٹرو انٹیسٹائنل اور ڈریمٹالوجی کے پورٹ فولیوز میں زبردست کامیابیاں ملیں، جس کی بدولت ہم نے دُہرے اعداد کی گروتھ حاصل کی۔

اس مدت کے دوران ہمیں کمپنی کے مجموعی منافع پر مسلسل دباؤ نظر آیا۔ اس نو ماہ کی مدت کے لیے کمپنی کا مجموعی منافع گزشتہ سال کی اسی مدت کے مقابلے میں 25.2 فیصد کمی کے بعد 2.5 فیصد رہا۔ مارجنز پر اثر انداز ہونے میں بڑا سبب روپے کی قدر کی کمی ہے۔ جس کی وجہ سے خام مال کے اخراجات میں اضافہ ہوا اور ملازمت سے علیحدگی کے وقت بقایا جات کی مکمل ادائیگیاں شامل ہیں۔ جو مستقبل میں آپریٹنگ صلاحیتوں پر اثر انداز ہونگے۔ مارجنز پر ان اثرات اور معاشی صورتحال کو دیکھتے ہوئے محدود مدت کے لیے سالانہ CPI کے نرخوں میں اضافہ اور مینوفیکچرنگ آپریشنز میں لاگت میں کمی کے اقدامات اپنائے گئے۔

Condensed Interim Statement of Financial Position

As at September 30, 2018

Rupees '000	Note	(Un-audited) September 30, 2018	(Audited) December 31, 2017
ASSETS			
Non-current assets			
Fixed assets	4	8,983,475	8,865,334
Intangibles	5	1,082,072	1,039,072
Long-term loans to employees		80,350	91,422
Long-term deposits		22,204	22,204
		10,168,101	10,018,032
Current assets			
Stores and spares		210,066	219,613
Stock-in-trade		6,501,860	6,082,218
Trade debts		1,997,851	2,362,703
Loans and advances		214,539	453,116
Trade deposits and prepayments		206,197	131,920
Interest accrued		1,378	3,182
Refunds due from government		45,065	30,113
Other receivables		238,753	251,325
Investments	6	197,811	348,810
Cash and bank balances	7	2,672,589	1,818,900
		12,286,109	11,701,900
Assets of disposal groups classified as held for sale / disposal	8	-	154,000
Total assets		22,454,210	21,873,932
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital		3,184,673	3,184,672
Reserves		10,874,690	10,277,185
		14,059,363	13,461,857
LIABILITIES			
Non-current liabilities			
Staff retirement benefits		323,904	294,031
Deferred taxation		566,744	536,886
		890,648	830,917
Current liabilities			
Trade and other payables	9	6,879,782	6,627,166
Taxation - provision less payments		525,583	542,221
Provisions	10	98,834	411,771
		7,504,199	7,581,158
Liabilities of disposal groups classified as held for sale / disposal	8	-	-
Total liabilities		8,394,847	8,412,075
Contingencies and Commitments	11		
Total equity and liabilities		22,454,210	21,873,932

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.



Mehmood Mandviwalla
Director



Abdul Samad
Chief Financial Officer



Sohail Matin
Director

Condensed Interim Profit and Loss Account

For the nine months ended September 30, 2018 (Un-audited)

	Note	Quarter ended		Nine months ended	
		September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Rupees '000					
Continuing Operations:					
Net sales	12	8,049,960	7,674,526	25,274,071	23,882,711
Cost of sales		(6,182,881)	(5,457,052)	(18,908,179)	(17,281,119)
Gross profit		1,867,079	2,217,474	6,365,892	6,601,592
Selling, marketing and distribution expenses	13	(878,129)	(750,628)	(2,588,864)	(2,228,686)
Administrative expenses		(254,139)	(244,989)	(776,093)	(727,941)
Other operating expenses		(94,719)	(93,849)	(298,761)	(315,862)
Other income	14	358,505	68,239	590,607	362,838
Operating profit		998,597	1,196,247	3,292,781	3,691,941
Financial charges		(10,062)	(18,066)	(81,301)	(22,278)
Profit before taxation		988,535	1,178,181	3,211,480	3,669,663
Taxation	15	(447,474)	(390,088)	(1,366,134)	(1,418,025)
Profit after taxation from continuing operations		541,061	788,093	1,845,346	2,251,638
Discontinued operations:					
Profit / (loss) after taxation from discontinued operations	8	-	(3,974)	26,029	(35,695)
Other comprehensive income					
		-	-	-	-
Total comprehensive income					
		541,061	784,119	1,871,375	2,215,943
Earnings / (loss) per share					
	16				
- continuing operations		Rs. 1.70	Rs. 2.47	Rs. 5.79	Rs. 7.07
- discontinued operations		-	Re. (0.01)	Re. 0.08	Re. (0.11)
		Rs. 1.70	Rs. 2.46	Rs. 5.87	Rs. 6.96

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.


Mehmood Mandviwalla
Director


Abdul Samad
Chief Financial Officer


Sohail Matin
Director

Condensed Interim Cash Flow Statement

For the nine months ended September 30, 2018 (Un-audited)

Rupees '000	Note	September 30, 2018	September 30, 2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	17	3,797,855	2,270,689
Staff retirement benefits paid		(160,540)	(105,105)
Income taxes paid		(1,336,885)	(1,158,142)
Increase in long-term loans to employees		11,072	(22,534)
Net cash generated from operating activities		2,311,502	984,908
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(638,727)	(771,071)
Purchase of market authorization rights		(43,000)	-
Proceeds from sale of operating assets		209,918	73,786
Net cash used in investing activities		(471,809)	(697,285)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(1,137,003)	(1,969,064)
Net cash used in financing activities		(1,137,003)	(1,969,064)
Net increase / (decrease) in cash and cash equivalents		702,690	(1,681,441)
Cash and cash equivalents at beginning of the period		2,167,710	4,309,511
Cash and cash equivalents at end of the period	18	2,870,400	2,628,070

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.



Mehmood Mandviwalla
Director



Abdul Samad
Chief Financial Officer



Sohail Matin
Director

Condensed Interim Statement of Changes in Equity

For the nine months ended September 30, 2018 (Un-audited)

	Share capital	Capital reserves	Revenue Reserves		Total
		Reserve arising on schemes of amalgamation	General reserve	Unappropriated profit	
Rupees '000					
Balance as at January 1, 2017	3,184,672	1,126,923	3,999,970	5,231,220	13,542,785
Final dividend for the year ended December 31, 2016 @ Rs. 6 per share	-	-	-	(1,910,804)	(1,910,804)
Total comprehensive income for the nine months ended September 30, 2017	-	-	-	2,215,943	2,215,943
Balance as at September 30, 2017	3,184,672	1,126,923	3,999,970	5,536,359	13,847,924
Balance as at January 1, 2018	3,184,672	1,126,923	3,999,970	5,150,292	13,461,857
Final dividend for the year ended December 31, 2017 @ Rs. 4 per share	-	-	-	(1,273,869)	(1,273,869)
Total comprehensive income for the nine months ended September 30, 2018	-	-	-	1,871,375	1,871,375
Balance as at September 30, 2018	3,184,672	1,126,923	3,999,970	5,747,798	14,059,363

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.


Mehmood Mandviwalla
Director


Abdul Samad
Chief Financial Officer


Sohail Matin
Director

Notes to the Condensed Interim Financial Statements

For the nine months ended September 30, 2018 (Un-audited)

1. THE COMPANY AND ITS OPERATIONS

The Company is incorporated in Pakistan as a limited liability company and is listed on the Pakistan Stock Exchange. It is primarily engaged in the manufacturing and marketing of research based ethical specialties and other pharmaceutical products.

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

Due to the pending transfer of marketing authorisations and certain permissions for Over the Counter (OTC) products of GlaxoSmithKline Consumer Healthcare 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, marketing, sales and managing the related inventory and receivable balances pertaining to such products against a service fee charged by the Company.

2. BASIS OF PREPARATION

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

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

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.

The Companies Act, 2017 was enacted on May 30, 2017, and came into force at once. Subsequently, the Securities and Exchange Commission of Pakistan (the SECP) notified through Circular no. 23 of 2017 that companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Therefore, the Company has considered the requirements of the Companies Act, 2017 in the preparation of these condensed interim financial statements.

2.2 The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of IAS 34. These condensed interim financial statements do not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual audited financial statements of the Company for the year ended December 31, 2017.

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, 2017 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, 2017, therefore, no impact of actuarial gain / loss has been calculated for the current period and comparative condensed financial information has also not been adjusted for the same reason.

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

The following changes in accounting policies have taken place effective from January 1, 2018:

(a) IFRS 9 - Financial Instruments

IFRS 9 - Financial Instruments (IFRS 9) replaced the majority of IAS 39 - Financial Instruments: Recognition and Measurement (IAS 39) and covers the classification, measurement and de-recognition of financial assets and financial liabilities and requires all fair value movements on equity investments to be recognised either in the profit or loss or in other comprehensive income, on

Notes to the Condensed Interim Financial Statements

For the nine months ended September 30, 2018 (Un-audited)

a case-by-case basis, and also introduced a new impairment model for financial assets based on expected losses rather than incurred losses and provides a new hedge accounting model.

The Company has early adopted IFRS 9 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 9 on opening equity of the Company.

The impact of the adoption of IFRS 9 has been in the following areas:

(i) Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it replaces the previous IAS 39 categories for financial assets i.e. loans and receivables, fair value through profit or loss (FVTPL), available for sale and held to maturity with the categories such as amortised cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVTOCI).

There is no significant impact of IFRS 9 on the classification and measurement of financial assets for the period ended September 30, 2018 other than that loans and receivables and held to maturity investments are classified under the category of amortised cost. Under IFRS 9, the classification of financial assets is based on the objective of the entity's business model that is the Company's objective is to hold assets only to collect cash flows, or to collect cash flows and to sell ("the Business Model test") and the contractual cash flows of an asset give rise to payments on specified dates that are solely payments of principal and interest ("SPPI") on the principal amount outstanding ("the SPPI test").

(ii) Hedge accounting

IFRS 9 requires that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

There is no impact of the said change on these condensed interim financial statements as there is no hedge activity carried on by the Company during the period ended September 30, 2018.

(iii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model of IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVTOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Under IFRS 9, loss allowances are measured on either of the following basis:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company has elected to measure provision against financial assets on the basis of lifetime ECLs.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 360 days past due in case of private sector customers and 720 days in case of public sector customers. Further, the Company considers the impact of forward looking information (such Company's internal factors and economic environment of the country of customers) on ECLs.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity and the cash flows that the Company expects to receive).

Presentation of impairment

Provision against financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impact of the new impairment model

For assets within the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become

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For the nine months ended September 30, 2018 (Un-audited)

more volatile. The Company has determined that the application of IFRS 9's impairment requirements at January 01, 2018 does not have a material impact on provision for doubtful debts measured under IAS 39.

(b) IFRS 15 - Revenue from contracts with customers

IFRS 15 - Revenue from contracts with customers (IFRS 15) replaced IAS 18 - Revenue, IAS 11 - Construction contracts, IFRIC 13 - Customer Loyalty Programmes, IFRIC 15 - Agreements for the Construction of Real Estate, IFRIC 18 - Transfers of Assets from Customers and SIC 31 - Revenue - Barter Transactions Involving Advertising Services. IFRS 15 provides a single, principles-based approach to the recognition of revenue from all contracts with customers and focuses on the identification of performance obligations in a contract and requires revenue to be recognised when or as those performance obligations in a contract are satisfied. The Company has early adopted IFRS 15 by applying the modified retrospective approach according to which the Company is not required to restate the prior year results. However, the adoption of IFRS 15 does not have any impact on the reported revenue of the Company for the period ended September 30, 2018.

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, 2017.

3.3 Fair value of financial assets and liabilities

The carrying value of financial assets and financial liabilities reported in these condensed interim financial statements approximates their fair values.

3.4 Estimates and judgments

Estimates and judgments made by management in the preparation of these condensed interim financial statements are same as those applied in the preparation of the annual audited financial statements of the Company for the year ended December 31, 2017.

Rupees '000	(Un-audited) September 30, 2018	(Audited) December 31, 2017
4. FIXED ASSETS		
Operating assets - note 4.1	6,286,388	6,270,004
Capital work-in-progress	2,528,425	2,487,470
Major spare parts and standby equipments	168,662	107,860
	<u>8,983,475</u>	<u>8,865,334</u>

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

Rupees '000	Additions (at cost)		Disposals (at net book value)	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Improvements on buildings	47,390	44,196	48	223
Plant and machinery	324,313	470,942	4,025	12,215
Furniture and fixtures	16,630	22,463	-	6
Vehicles	109,329	114,408	37,059	34,334
Office equipments	79,795	55,215	481	1,381
	<u>577,457</u>	<u>707,224</u>	<u>41,613</u>	<u>48,159</u>

Notes to the Condensed Interim Financial Statements

For the nine months ended September 30, 2018 (Un-audited)

Rupees '000	(Un-audited) September 30, 2018	(Audited) December 31, 2017
5. INTANGIBLES		
Goodwill	955,742	955,742
Marketing authorisation rights - note 5.1	126,330	83,330
	1,082,072	1,039,072

5.1 This includes Rs. 40.3 million paid as consideration to Novartis Pharma (Pakistan) Limited (NPPL) in respect of acquiring marketing authorisation rights in relation to NPPL's vaccines business and Rs. 86 million paid as consideration for acquiring market authorisation rights of Traxon from Akhai Pharmaceuticals (Private) Limited.

Rupees '000	(Un-audited) September 30, 2018	(Audited) December 31, 2017
6. INVESTMENTS		
3 months treasury bills - at amortised cost	197,811	348,810
7. CASH AND BANK BALANCES		
With banks		
- on deposit accounts	1,500,000	1,250,000
- on PLS savings accounts	754,708	463,306
- on current accounts	155,986	105,384
Cash and cheques in hand	261,895	210
	2,672,589	1,818,900

8. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

8.1 Profit / (loss) after taxation from discontinued operations:

Rupees '000	Quarter ended - Un-audited		Nine months ended - Un-audited	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Net sales	-	98,938	-	159,586
Cost of sales	-	(102,912)	-	(185,144)
Gross loss	-	(3,974)	-	(25,558)
Selling marketing and distribution expenses	-	-	-	(6,411)
Other income - note 8.2	-	-	10,000	-
Profit / (loss) before taxation	-	(3,974)	10,000	(31,969)
Taxation	-	-	16,029	(3,726)
Profit / (loss) after Taxation	-	(3,974)	26,029	(35,695)

Notes to the Condensed Interim Financial Statements

For the nine months ended September 30, 2018 (Un-audited)

8.2 This represents gain on the sale of land along with building and other assets located at Sundar Industrial Estate, Lahore, at a total negotiated sale proceed of Rs. 164 million.

8.3 Assets and liabilities of disposal group classified as discontinued operations:

Rupees '000	(Un-audited) September 30, 2018	(Audited) December 31, 2017
Assets		
Fixed assets	-	154,000
Total assets / Net assets	<u>-</u>	<u>154,000</u>

8.4 Cash flows relating to discontinued operations for the nine months ended:

Rupees '000	(Un-audited) September 30, 2018	(Audited) December 31, 2017
Net cash generated from operating activities	-	18,391
Net cash generated from investing activities	164,000	-

9. TRADE AND OTHER PAYABLES

Creditors and bills payable	2,320,468	1,768,690
Accrued liabilities	3,048,148	3,451,541
Others	1,511,166	1,406,935
	<u>6,879,782</u>	<u>6,627,166</u>

10. PROVISIONS

Balance at beginning of the period / year	411,771	192,739
Charge for the period	238,696	352,556
Payments during the period	(551,633)	(133,524)
Balance at end of the period / year	<u>98,834</u>	<u>411,771</u>

10.1 Provisions include restructuring costs and government levies of Rs. 18.48 million and Rs. 80.35 million (December 31, 2017: Rs. 244.01 million and Rs. 167.76 million) respectively.

11. COMMITMENTS

Commitments for capital expenditure outstanding as at September 30, 2018, amounted to Rs. 584.5 million (December 31, 2017: Rs. 506.19 million).

12. NET SALES

12.1 The net sales include sales of Over the Counter Products amounting to Rs. 3.11 billion (September 30, 2017: Rs. 2.89 billion) to GSK Consumer Healthcare Pakistan Limited being manufactured by the Company due to pending transfer of marketing authorisations by Drug Regulatory Authority of Pakistan ('DRAP') as disclosed in note 1.

12.2 During the year ended December 31, 2015, the Drug Regulatory Authority of Pakistan (DRAP) issued the Drug Pricing Policy 2015 (the Policy) through a notification dated March 5, 2015. Under the Policy, pending hardship cases were to be decided within a period of nine months from the date of notification of the Policy. Prior to the promulgation of the Policy, the Company had submitted applications

Notes to the Condensed Interim Financial Statements

For the nine months ended September 30, 2018 (Un-audited)

for hardship price increase in respect of certain products.

The Company increased prices of its certain products since DRAP did not decide on the hardship cases within the stipulated period of nine months as per Drug Pricing Policy and filed a suit before the High Court of Sindh (SHC) in order to seek relief on the hardship price increase. The SHC passed an interim injunction order in this regard, and accordingly notified to DRAP and Federation of Pakistan not to take any coercive action against the Company in respect of hardship price increases.

On December 19, 2016, SHC passed Judgement in respect of the hardship price increase case (the Judgement). The DRAP, in pursuance of the said Judgement issued a letter on December 28, 2016 requiring the companies to recall all the products from the market on which the companies had availed the hardship price increase. The Company, based on legal advice, believes that there are certain ambiguities in the Judgment and has filed an Appeal against the Judgement before the SHC in respect of which the SHC has passed an interim injunction order and notified to DRAP and Federation of Pakistan not to take any coercive action against the Company. As a recent development, the Company obtained the Injunction Order for hardship price increases of certain products in 2015 has been finally decided by Supreme Court of Pakistan (SCP) vide Order dated August 03, 2018.

As per Order passed by the SCP, the Company is entitled to approach DRAP afresh for deciding its hardship applications under new Drug Pricing Policy 2018 (DPP 2018). The Company presented its hardship applications afresh to DRAP, final decision is awaited.

The management believes that based on DPP 2018, there will be no adverse financial impact on the hardship price increases availed through injunction order in the past.

13. SELLING, MARKETING AND DISTRIBUTION EXPENSES

This includes advertising and sales promotion expenses of Rs. 539 million (September 30, 2017: Rs. 458 million).

14. OTHER INCOME

Rupees '000	Note	Quarter ended		Nine months ended	
		September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Income from financial assets		33,336	31,989	82,087	131,869
Gain on disposal of operating assets		16,282	9,881	17,533	26,307
Scrap sales		13,951	15,275	32,977	32,679
Liabilities no longer payable		1,602	-	9,721	145,983
Promotional allowance	14.1	289,645	-	289,645	-
Insurance claim recovery	14.2	-	-	127,042	-
Others		3,689	11,094	31,602	26,000
		<u>358,505</u>	<u>68,239</u>	<u>590,607</u>	<u>362,838</u>

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

14.2 This includes insurance claim recovery of Rs.101.51 million received in the current period against the promotional material being destroyed in 2017 at one of the third party warehousing facilities.

15. TAXATION

15.1 This includes current period charge of super tax amounting to Rs. 71 million (September 30, 2017: Nil) and prior year charge of super tax amounting to Rs. 166.29 million (September 30, 2017: Rs. 159 million) imposed for rehabilitation of temporarily displaced persons under section 4B of the Income Tax Ordinance, 2001 (as inserted by Finance Act 2015 and amended by Finance Act 2016, Finance Act 2017 and Finance Act 2018).

Notes to the Condensed Interim Financial Statements

For the nine months ended September 30, 2018 (Un-audited)

Rupees '000	September 30, 2018	September 30, 2017
16. EARNINGS PER SHARE		
Profit after taxation from continuing operations	1,845,346	2,251,638
Profit / (loss) after taxation from discontinued operation	26,029	(35,695)
----- Number of shares -----		
Weighted average number of shares outstanding during the period	318,467,278	318,467,278
Earnings per share - continuing operations	Rs. 5.79	Rs. 7.07
Earnings / (loss) per share - discontinued operation	Re. 0.08	Re. (0.11)
Earnings per share - basic	Rs. 5.87	Rs. 6.96

16.1 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	September 30, 2018	September 30, 2017
17. CASH GENERATED FROM OPERATIONS		
Profit before taxation	3,221,480	3,637,694
Add / (less): Adjustments for non-cash charges and other items		
Depreciation and impairment	482,201	641,402
Provision for / (reversal of) slow moving, obsolete and damaged stock-in-trade net of stock written off	48,710	5,385
Gain on disposal of operating fixed assets	(17,533)	(25,626)
Provision for staff retirement benefits	190,413	163,592
Profit before working capital changes	3,925,271	4,422,447
Effect on cash flows due to working capital changes		
(Increase) / decrease in current assets:		
Stores and spares	9,547	17,036
Stock-in-trade	(468,352)	(394,295)
Trade debts	364,852	(1,050,423)
Loans and advances	238,577	(196,767)
Trade deposits and prepayments	(74,277)	(108,960)
Interest accrued	1,804	7,819
Refunds due from the government	(14,952)	21,397
Other receivables	12,572	(50,676)
	69,771	(1,754,869)
Increase / (decrease) in current liabilities		
Trade and other payables	115,750	(428,458)
Provisions	(312,937)	31,569
	(127,416)	(2,151,758)
	3,797,855	2,270,689

Notes to the Condensed Interim Financial Statements

For the nine months ended September 30, 2018 (Un-audited)

Rupees '000		September 30, 2018	September 30, 2017
18. CASH AND CASH EQUIVALENTS			
Cash and bank balances		2,672,589	2,179,551
Short term investments - Treasury bills		197,811	448,519
		2,870,400	2,628,070
19. TRANSACTIONS WITH RELATED PARTIES			
Relationship	Nature of transactions		
Holding company	Dividend	1,052,119	1,578,179
Associated companies:	a. Royalty expense charged	246,667	208,196
	b. Purchase of goods	3,554,319	3,664,844
	c. Sale of goods	3,140,105	2,926,846
	d. Recovery of expenses	279,042	90,610
	e. Service fee	9,000	9,000
	f. Sales as an agent of GlaxoSmithKline Consumer Healthcare Pakistan Limited	4,387,235	4,530,684
	g. Promotional allowance	289,645	-
Staff retirement funds:	a. Expense charged for retirement benefit plans	190,413	168,991
	b. Payments to retirement benefit plans	171,875	110,504
Key management personnel:	a. Salaries and other employee benefits	182,989	151,912
	b. Post employment benefits	12,415	11,154
	c. Proceeds from sale of fixed assets	8,639	3,102

20. 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 October 29, 2018.



Mehmood Mandviwalla
Director



Abdul Samad
Chief Financial Officer



Sohail Matin
Director



GlaxoSmithKline Pakistan Limited

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