

Making a **difference** to **lives** across the **World** ☺  
First Quarter Report 2009



Financial statements (Un-audited)  
For the quarter ended March 31, 2009



GlaxoSmithKline  
GlaxoSmithKline Pakistan Limited.

# Our mission

Our quest is to improve the quality of human life by enabling people to

**Do More** 😊 **Feel Better** 😊 **Live longer**



## At a glance - our mission and global activities

GSK has a challenging and inspiring mission: to advance the quality of human lives by enabling people to do more, feel better and live longer.

With a rich heritage stretching back to the 18th century, GSK has a **wealth of experience and expertise in the advancement of human health. Five of its scientists have won the Nobel Prize for medicine in the past 70 years.**

GSK supplies one quarter of the world's vaccines, produces market leading prescription medicines on which millions of healthcare professionals and their patients rely, and has a range of household name consumer brands.

# Corporate information

## BOARD OF DIRECTORS

Mr. M. Salman Burney

Mr. Tariq Iqbal Khan

Mr. Rafique Dawood

Mr. Shahid Mustafa Qureshi

Dr. Muzaffar Iqbal

Mr. Javed Ahmedjee

Dr. Iffat Yazdani

Chairman / Chief Executive

Non-Executive Director

Non-Executive Director

Legal and Regulatory Affairs Director

Technical Director

Director Finance, IT and Logistics

Area Director Asia Pacific Clinical Operations

## AUDIT COMMITTEE

Mr. Rafique Dawood

Mr. Tariq Iqbal Khan

Mr. M. Salman Burney

Chairman

Member

Member

## MANAGEMENT COMMITTEE

Mr. M. Salman Burney

Dr. Muzaffar Iqbal

Mr. Shahid Mustafa Qureshi

Mr. Javed Ahmedjee

Ms. Erum S. Rahim

Mr. Pervaiz Iqbal Awan

Mr. Maqbool ur Rehman

Mr. Sohail Matin

Dr. Atif Mirza

Dr. Z. U. Khan

Haji Muhammad Hanif

Ms. Fariha Salahuddin

Chairman / Chief Executive

Technical Director

Legal and Regulatory Affairs Director

Director Finance, IT and Logistics

Director Marketing and Business Development

Sales Director

Sales Director

Country Manager - Consumer Healthcare

Director Medical Services

Head of Quality

Head of Procurement

Head of HR & OD

## COMPANY SECRETARY

Mr. Shahid Mustafa Qureshi

## AUDITORS

A. F. Ferguson & Co. Chartered Accountants

## CHIEF FINANCIAL OFFICER

Mr. Javed Ahmedjee

## LEGAL ADVISORS

Rizvi, Isa, Afridi & Angell

Mandviwalla & Zafar

Orr, Dignam & Co.

SurrIDGE & Beecheno

Vellani & Vellani

## CHIEF INTERNAL AUDITOR

Mr. Abdul Samad

## BANKERS

Citibank NA

Habib Bank Limited

HSBC Bank Middle East Ltd.

Standard Chartered Bank (Pakistan) Ltd.

The Royal Bank of Scotland

## REGISTERED OFFICE

35 - Dockyard Road, West Wharf, Karachi - 74000.

**Tel:** 92 21 111-475-725 (111-GSK-PAK)

**Fax:** 92 21 2314898, 2311122

**Website:** [www.gsk.com.pk](http://www.gsk.com.pk)



# Chairman/Chief Executive's Review

I am pleased to present the financial statements of your company for the first quarter ended March 31st 2009. These financial statements are submitted in accordance with Section 245 of the Companies Ordinance, 1984.

## Review of operating results

The Company has achieved net sales of Rs 3,612 million during the quarter, growing 24% over same period last year despite a challenging business environment and security issues in the Northern areas. Key brands such as Antibiotics, Respiratory, Vaccines, Analgesics, Panadol, CNS, Cardio-Vascular, Gastro Intestinal achieved double digit growth in this period.

The Consumer Healthcare business has also shown a strong performance, achieving net sales of Rs 62.6 million, an increase of 50.6% as a result of restructuring of sales & distribution arrangements together with new product launches.

Export Sales during this quarter at Rs 80.9 million, reflected an increase by 111.5%. Major export destinations included Afghanistan and Sri Lanka.

Gross margins continue to remain under pressure. During the quarter gross margins were 27.8%, showing a sharp decline of 9.5 % compared to same period last year. This continuous decline in margin is attributable to a long standing price freeze on the majority of the products since 2001, an increase in cost of goods sold mainly due to increased raw and packaging prices, both in local and international markets, rupee devaluation and escalation of fuel, power and utilities costs.

Selling, marketing and distribution expenses at Rs 353 million, increased by 17% due to the overall impact of inflation and an increase in spending necessary to invest in core and new products. Administrative expenses at Rs 133 million increasing by 12% due to double digit inflation.

Other operating income recorded an increase to Rs 145 million increasing by 9%. Other operating income includes deposit income which has declined as surplus funds of the company reduced due to consistent dividend payout and increase in cost of doing business, partly offset by higher interest rates.

Profit after tax for the quarter at Rs 358 million, reflected a decrease by 20% compared with corresponding period last year.

Capital expenditure recorded during this period at Rs 62.9 million (March 31, 2008: Rs 55.6 million) was mainly on account of facility improvements and vehicles.

The cash position of the Company improved by Rs 563 million compared to year ended December 31, 2008 mainly due to a decrease in working capital.

## Future outlook and Challenges

The Company remains committed to take proactive measures to respond to current economic challenges and maintains its strategy to invest and focus on key brands and introducing new therapies for the benefit of the general public in Pakistan. The Company has a good pipeline of innovative new medicines together with the sustained availability of existing products.

The company's commitment towards improving healthcare in Pakistan particularly in the area of preventive healthcare & vaccines remains integral and explicit. GSK is the world's leading developer and manufacturer of vaccines, and hopes to partner with the government in protecting people against preventable diseases.

The pharmaceutical industry is now facing a very serious challenge to manage and sustain business operations in a highly inflationary environment without general price relief. The rising trend in local and imported raw and packaging material costs, coupled with the continuous weakening of Rupee and soaring domestic inflation have put tremendous pressure on the profitability of your company despite various initiatives taken for cost containment and improvement in manufacturing / commercial operations.

This is clearly unsustainable for any business and a general price increase across the board is now vital and urgently needed for business survival. The criticality of the issue has been highlighted to the government and we urge the government to take immediate steps to address the issue. Price increases on certain products have been granted in the last quarter, but this has a small impact as prices of majority of pharmaceutical products remain unchanged since 2001. There is an urgent need for the government to address this issue.

The pharmaceutical industry in Pakistan has great potential for growth. However, its sustained success depends on a regulatory environment which is able to balance the interests of this research based industry, with the need for affordable healthcare.

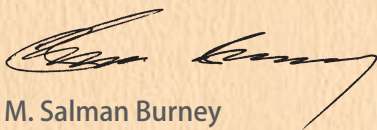
### Intellectual Property

The protection of intellectual capital and property is important to ensure returns for the very substantive costs of researching and commercializing new treatments.

During the recent years Pakistan has made some progress in this regard, by updating its IPR laws to the levels required by global conventions. At a practical level however, much more needs to be done to discourage both piracy and counterfeiting. Effective implementation will protect consumers, as well as industry and also lead to a quality and research-oriented culture which is vital for the future progress of this industry.

### Acknowledgment

The Industrial Relations climate has remained cordial in this quarter and all employees performed with commitment for the achievement of company objectives. On behalf of the Board, I would like to acknowledge the employees' contribution to its continued success.



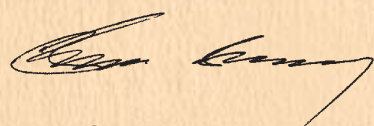
**M. Salman Burney**  
Chairman/ Chief Executive

Karachi  
April 28, 2009

# Condensed Interim Balance Sheet

as at March 31, 2009

	Note	Un-audited March 31, 2009	Audited December 31, 2008
		Rupees '000	
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital 250,000,000 ordinary shares of Rs. 10 each		2,500,000	2,500,000
Issued, subscribed and paid-up capital		1,706,718	1,706,718
Reserves		5,803,912	6,648,173
		7,510,630	8,354,891
<b>NON-CURRENT LIABILITIES</b>			
Staff retirement benefit - staff gratuity		28,270	20,802
Deferred taxation		328,297	312,270
		356,567	333,072
<b>CURRENT LIABILITIES</b>			
Trade and other payables		2,852,297	1,867,275
Taxation		71,570	70,387
		2,923,867	1,937,662
<b>CONTINGENCIES AND COMMITMENTS</b>	3		
		10,791,064	10,625,625



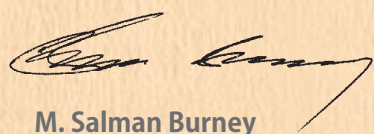
**M. Salman Burney**  
Chairman / Chief Executive



**Javed Ahmedjee**  
Chief Financial Officer

	Note	Un-audited March 31, 2009	Audited December 31, 2008
		Rupees '000	
<b>NON-CURRENT ASSETS</b>			
Fixed Assets - property, plant and equipment	4	2,402,357	2,415,255
Long-term loans to employees		57,869	61,666
Long-term deposits		7,027	6,788
Investments - available-for-sale		164,877	171,855
<b>CURRENT ASSETS</b>			
Stores and spares		120,893	116,084
Stock-in-trade		3,167,086	3,494,054
Trade debts		987,485	1,016,968
Loans and advances		96,167	119,242
Trade deposits and prepayments		181,583	93,377
Accrued return		32,069	80,596
Refunds due from the government		13,868	15,468
Other receivables		121,048	153,864
Investments - available for sale		151,132	155,511
Cash and bank balances		3,287,603	2,724,897
		8,158,934	7,970,061
		<u>10,791,064</u>	<u>10,625,625</u>

The annexed notes 1 - 7 form an integral part of these condensed interim financial statements.



**M. Salman Burney**  
Chairman / Chief Executive



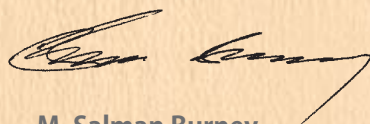
**Javed Ahmedjee**  
Chief Financial Officer

# Condensed Interim Profit and Loss Account

for the quarter ended March 31, 2009 (Un-audited)

	March 31, 2009	March 31, 2008
	Rupees '000	
Net sales	3,611,945	2,922,293
Cost of sales	(2,609,132)	(1,834,414)
Gross profit	1,002,813	1,087,879
Selling, marketing and distribution expenses	(352,880)	(301,312)
Administrative expenses	(133,286)	(119,082)
Other operating expenses	(49,967)	(62,832)
Other operating income	144,565	133,065
Operating profit	611,245	737,718
Financial charges	(3,422)	(8,108)
Profit before taxation	607,823	729,610
Taxation	(250,000)	(283,000)
Profit after taxation	357,823	446,610
Earnings per share - basic and diluted	Rs. 2.10	Rs 2.62

The annexed notes 1 - 7 form an integral part of these condensed interim financial statements.



**M. Salman Burney**  
Chairman / Chief Executive



**Javed Ahmedjee**  
Chief Financial Officer

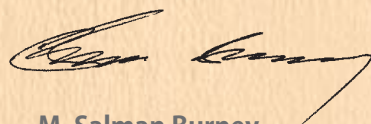


# Condensed Interim Cash Flow Statement

for the quarter ended March 31, 2009 (Un-audited)

		March 31, 2009	March 31, 2008
		Rupees '000	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	5	841,344	424,418
Staff gratuity paid		(12,087)	(39)
Taxes paid		(228,817)	(246,531)
Decrease /(increase) in long-term loans to employees		3,797	(2,957)
(Increase) in long-term deposits		(239)	-
Net cash from / (used in) operating activities		603,998	174,891
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(62,953)	(55,597)
Proceeds from sale of fixed assets		22,221	9,389
Net cash used in investing activities		(40,732)	(46,208)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Dividend paid		(560)	(579)
Net increase in cash and cash equivalents		562,706	128,104
Cash and cash equivalents at the beginning of the year		2,724,897	4,252,745
Cash and cash equivalents at the end of the period		3,287,603	4,380,849

The annexed notes 1 - 7 form an integral part of these condensed interim financial statements.



**M. Salman Burney**  
Chairman / Chief Executive



**Javed Ahmedjee**  
Chief Financial Officer

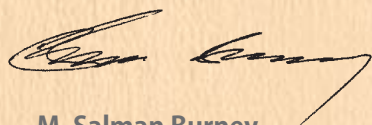
# Condensed Interim Statement of Changes in Equity

for the quarter ended March 31, 2009 (Un-audited)

	SHARE CAPITAL	CAPITAL RESERVE		Fair value reserve	General reserve	Unappropriated profit	Total
		Share premium	Reserve arising on amalgamation*				
Rupees '000							
Balance at January 1, 2008	1,706,718	1,409	375,572	(1,150)	3,999,970	2,035,122	8,117,641
Final dividend for the year ended December 31, 2007 @ Rs. 7.50 per share	-	-	-	-	-	(1,280,039)	(1,280,039)
Profit after taxation for the quarter ended March 31, 2008	-	-	-	-	-	446,610	446,610
Surplus on revaluation of available-for-sale investments	-	-	-	(2,475)	-	-	(2,475)
Balance at March 31, 2008	1,706,718	1,409	375,572	(3,625)	3,999,970	1,201,693	7,281,737
Profit after taxation for the nine months ended December 31, 2008	-	-	-	-	-	1,508,577	1,508,577
Surplus on revaluation of available-for-sale investments	-	-	-	(8,743)	-	-	(8,743)
Interim dividend for the year ended December 31, 2008 @ Rs. 2.50 per share	-	-	-	-	-	(426,680)	(426,680)
Balance at December 31, 2008	1,706,718	1,409	375,572	(12,368)	3,999,970	2,283,590	8,354,891
Final dividend for the year ended December 31, 2008 @ Rs. 7.0 per share	-	-	-	-	-	(1,194,703)	(1,194,703)
Profit after taxation for the quarter ended March 31, 2009	-	-	-	-	-	357,823	357,823
Deficit on revaluation of available-for-sale investments	-	-	-	(7,381)	-	-	(7,381)
Balance at March 31, 2009	1,706,718	1,409	375,572	(19,749)	3,999,970	1,446,710	7,510,630

\* This includes exchange loss on issue of shares amounting to Rs. 9 thousand.

The annexed notes 1 - 7 form an integral part of these condensed interim financial statements.



**M. Salman Burney**  
Chairman / Chief Executive



**Javed Ahmedjee**  
Chief Financial Officer

# Selected Notes to and Forming Part of the Condensed Interim Financial Statements

for the quarter ended March 31, 2009 (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 manufacture and marketing of research based ethical specialties, other pharmaceuticals, animal health and consumer products.

The Company is a subsidiary of Setfirst Limited UK, whereas its ultimate parent company is GlaxoSmithKline plc, UK.

## 2. BASIS OF PREPARATION

These condensed interim financial statements have been prepared in accordance with the requirements of Section 245 of the Companies Ordinance, 1984, the International Accounting Standard No. 34 - Interim Financial Reporting, the Listing Regulations of Karachi and Lahore Stock Exchanges, and should be read in conjunction with the annual financial statements for the year ended December 31, 2008.

The accounting policies and methods of computation adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the preceding annual financial statements of the company for the year ended December 31, 2008.

### 2.1 Standards and amendments to the published approved accounting standards that are relevant but not yet effective

Following accounting standards, amendments and interpretations to approved accounting standards have been published that are mandatory for company's accounting periods beginning on or after the dates mentioned below:

IFRS 7 'Financial instruments: Disclosures', introduces new disclosures relating to financial instruments. The standard shall be applicable on accounting periods beginning on or after July 1, 2008. Adoption of the standard will only impact the format and extent of disclosures presented in the financial statements.

IFRS 7 shall be applicable on accounting periods beginning on or after July 1, 2008. Adoption of IFRS 7 will only impact the format and extent of disclosures presented in the financial statements.

IFRS 8 'Operating segments' replaces IAS 14 and requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The new standard will be effective from January 1, 2009. The management is reviewing the implications on the company's financial statements' presentation.

IAS 1, 'Presentation of financial statements', issued in September 2007 revises the existing IAS 1 and requires apart from changing the names of certain components of financial statements, presentation of transactions with owners in the statement of changes in equity and with non-owners in the comprehensive income statement. The revised standard will be effective from January 1, 2009 and it will impact mainly the presentation of the financial statements.

## Selected Notes to and Forming Part of the Condensed Interim Financial Statements

### 3. CONTINGENCIES AND COMMITMENTS

#### 3.1 Contingencies

a) Claims against the company not acknowledged as debt

March 31,  
2009      December 31,  
2008  
Rupees '000

312,728      306,480

b) There is no material change in the status of other contingencies as reported in the financial statements for the year ended December 31, 2008.

Note

March 31,  
2009      December 31,  
2008  
Rupees '000

#### 3.2 Commitment for capital expenditure outstanding

202,140      103,310

### 4. FIXED ASSETS - Property, plant and equipment

Operating assets

4.1

2,194,917

2,242,144

Capital work in-progress

4.2

207,440

173,111

2,402,357

2,415,255

4.1 Details of additions to and disposals from operating assets during the three months ended March 31, 2009.

	Additions (at cost)		Disposals (at net book value)	
	March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008
	Rupees '000		Rupees '000	
Buildings	4,319	1,246	1,295	-
Plant and machinery	6,604	5,968	2,372	-
Furniture and fixture	924	50	245	25
Vehicles	14,287	19,080	6,610	5,425
Other equipments	2,490	5,565	47	100
	28,624	31,909	10,569	5,550

4.2 Net (transfer from) / additions to capital work-in-progress

March 31,  
2009      March 31,  
2008  
Rupees '000

34,329      23,688

	Quarter Ended	
	March 31, 2009	March 31, 2008
	Rupees '000	
<b>5. CASH GENERATED FROM OPERATIONS</b>		
<b>Profit before taxation</b>	607,823	729,610
Add / (Less): Adjustments for non-cash charges and other items		
Depreciation / Amortisation	65,282	51,726
Gain on disposal of fixed assets	(11,650)	(3,839)
Provision for staff gratuity	19,555	10,959
Return on investments	(7,939)	(9,773)
Amortisation of premium on investments	-	140
	65,248	49,213
Profit before working capital changes	673,071	778,823
<b>Effect on cash flow due to working capital changes</b>		
(Increase) / Decrease in current assets		
Stores and spares	(4,809)	(630)
Stock-in-trade	326,968	(166,054)
Trade debts	29,483	(44,757)
Loans and advances	23,075	(28,185)
Trade deposits and short-term prepayments	(88,206)	(36,477)
Accrued return on term deposits	56,467	(5,285)
Refunds due from government	1,600	(144)
Other receivables	32,816	28,527
	377,394	(253,005)
(Decrease) / Increase in trade and other payables	(209,121)	(101,400)
	168,273	(354,405)
	841,344	424,418

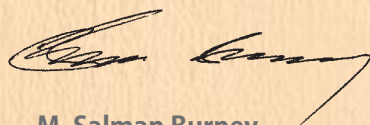
## Selected Notes to and Forming Part of the Condensed Interim Financial Statements

		Quarter Ended	
		March 31, 2009	March 31, 2008
		Rupees '000	
<b>6. TRANSACTIONS WITH RELATED PARTIES</b>			
<b>Relationship</b>	<b>Nature of transactions</b>		
Associated companies:	a. Purchase of goods	660,033	206,553
	b. Sale of goods	26,957	13,416
	c. Recovery of expenses from related party	18,051	9,427
	d. Service fee on clinical trials studies	903	471
	e. Donation	-	10
Staff retirement funds:	a. Expenses charged for retirement benefits plans	30,351	21,445
	b. Payments from / (to) retirement benefits plans	(21,554)	(18,033)
Key management personnel:	a. Salaries and other employee benefits	28,707	25,292
	b. Post employment benefits	3,385	1,869

The related parties balances as at March 31, 2009 are included in trade and other payables, trade debts and other receivables.

## 7. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on April 28, 2009 by the Board of Directors of the Company.



**M. Salman Burney**  
Chairman / Chief Executive



**Javed Ahmedjee**  
Chief Financial Officer