



GlaxoSmithKline

GlaxoSmithKline Pakistan Limited

QUARTERLY



R E P O R T

Financial statements (Un-audited)
For the quarter ended March 31, 2008

Our Mission

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

do **more**
feel **better**
& live
longer



Corporate Information

Board of Directors

Mr. M. Salman Burney
Mr. Tariq Iqbal Khan
Mr. Rafique Dawood
Mr. Shahid Mustafa Qureshi
Mr. Ghulam Mustafa Aziz
Dr. Muzaffar Iqbal
Ms. Talat A. Naseer

Chairman / Chief Executive
Non-Executive Director
Non-Executive Director
Legal and Regulatory Affairs Director
Finance and Information Technology Director
Technical Director
Non-Executive Director

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. Ghulam Mustafa Aziz
Mr. Shahid Mustafa Qureshi
Dr. Iffat Yazdani
Dr. Z. U. Khan
Haji Muhammad Hanif
Ms. Erum S. Rahim
Mr. Pervaiz Iqbal Awan
Mr. Maqbool ur Rehman
Mr. Sohail Matin

Chairman / Chief Executive
Technical Director
Finance and Information Technology Director
Legal and Regulatory Affairs Director
Area Director Asia Pacific Clinical Operations
Head of Quality
Head of Procurement
Director Marketing and Business Development
Sales Director
Sales Director
Country Manager - Consumer Healthcare

Company Secretary

Mr. Shahid Mustafa Qureshi

Auditors

A. F. Ferguson & Co.
Chartered Accountants

Chief Financial Officer

Mr. Ghulam Mustafa Aziz

Legal Advisors

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

Bankers

ABN Amro Bank (Pakistan) Limited
Citibank NA
Habib Bank Limited
Standard Chartered Bank (Pakistan) Limited
The HongKong and Shanghai
Banking Corporation Limited

Registered Office

35 – Dockyard Road, West Wharf, Karachi – 74000.
Telephones: 2315478-82, 2316071-73 & 2315101-08
Fax: 2314898 & 2311122

Website:

www.gsk.com.pk



Chairman/Chief Executive's Review

I am pleased to present the financial statement of your company for the first quarter ended March 31st 2008. These financial statements are submitted in accordance with Section 245 of the Companies Ordinance, 1984.

Review of Operating results

The Company achieved good sales growth in this quarter. Net sales were Rs 2,922 million, an increase of Rs 355 million (14%) from corresponding period last year. Sales growth was driven by double digit growth of our leading portfolios such as Antibiotics, Vaccines, Dermatology, Respiratory and Analgesics and the re-introduction of some products which were supply constrained last year.

The gross margin in this quarter was 37.2% remained unchanged with the corresponding period last year, largely due to a better mix of products. However, operating profitability going forward will face downside risks as inflation and prices of raw and packing material continue to rise.

Selling, marketing and distribution expenses increased by 6% due to general inflation whereas Administrative expenses were decreased by 2% in this quarter. Other operating income was recorded at Rs 133 million.

Profit after tax was Rs 446.6 million, increasing by 12% compared with corresponding period last year. The overall profitability has improved due to sales growth and tight control on operating expenses.

Capital expenditure recorded during this period at Rs 55.6 million (March 31, 2007: Rs 103.5 million) was mainly on account of facility improvements and vehicles.

The cash position of the Company improved by Rs 128 million compared to year ended December 31, 2007 mainly due to increase in business profitability, partly offset by increase in working capital.

Future outlook and Challenges

Sales growth of existing products and launching of new products are important for the company's business. We are committed in providing new and affordable solution to patients.

An area of particular focus for the company in Pakistan is the area of preventive healthcare & vaccines. GSK is the world's leading developer and manufacturer of vaccines. The potential to cost effectively prevent disease and protect health in Pakistan is significant, and the company sees this as an area of great opportunity for adding value to the healthcare sector in the country.

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. Prices of pharmaceutical products have now remained unchanged since 2001 and there has been no offset given to account for the adverse impact of increasing inflation, raw and packing material costs and devaluation. This is clearly unsustainable for any business and a price increase is now essential if this industry is to develop in the future.



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.

In the recent past 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 remained cordial 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 23, 2008



Condensed Interim Balance Sheet

as at March 31, 2008

	Note	Un-audited March 31, 2008	Audited December 31, 2007
		Rupees '000	
SHARE CAPITAL AND RESERVES			
Authorised capital 250,000,000 ordinary shares of Rs. 10 each		2,500,000	2,500,000
Issued, subscribed and paid-up capital		1,706,719	1,706,719
Reserves		5,575,018	6,410,922
		7,281,737	8,117,641
NON-CURRENT LIABILITIES			
Staff retirement benefits - staff gratuity		34,112	23,192
Deferred taxation		291,126	262,458
		325,238	285,650
CURRENT LIABILITIES			
Trade and other payables		2,876,434	1,698,374
Taxation		69,310	62,844
		2,945,744	1,761,218
CONTINGENCIES AND COMMITMENTS			
	3	10,552,719	10,164,509



M. Salman Burney
Chairman / Chief Executive



Ghulam Mustafa Aziz
Chief Financial Officer

	Note	Un-audited March 31, 2008	Audited December 31, 2007
Rupees '000			
NON-CURRENT ASSETS			
Fixed assets - property, plant and equipment	4	2,235,041	2,236,720
Long-term loans to employees		56,712	53,755
Long-term deposits		6,808	6,808
Investments		342,570	346,824
CURRENT ASSETS			
Stores and spares		107,829	107,199
Stock-in-trade		2,443,229	2,277,175
Trade debts		161,604	116,847
Loans and advances		109,224	81,039
Trade deposits and prepayments		120,825	84,348
Accrued return on investments and bank deposits		124,909	109,851
Refunds due from the government		15,042	14,898
Other receivables		349,544	378,071
Investments		98,533	98,229
Cash and bank balances		4,380,849	4,252,745
		7,911,588	7,520,402
		10,552,719	10,164,509

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



M. Salman Burney
Chairman / Chief Executive



Ghulam Mustafa Aziz
Chief Financial Officer

Condensed Interim Profit and Loss Account

for the quarter ended March 31, 2008 (Un-audited)

	Note	Quarter Ended	
		March 31, 2008	March 31, 2007
		Rupees '000	
Net sales		2,922,293	2,567,322
Cost of goods sold		(1,834,414)	(1,613,119)
Gross profit		1,087,879	954,203
Selling, marketing and distribution expenses		(301,312)	(284,885)
Administrative expenses		(119,082)	(121,769)
Other operating expenses		(62,832)	(52,931)
Other operating income		133,065	138,485
Operating profit		737,718	633,103
Financial charges		(8,108)	(3,251)
Profit before taxation		729,610	629,852
Taxation		(283,000)	(230,000)
Profit after taxation		446,610	399,852
Earnings per share - basic and diluted	7	Rs 2.62	Rs 2.34

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



M. Salman Burney
Chairman / Chief Executive



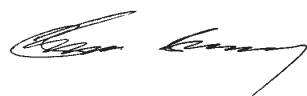
Ghulam Mustafa Aziz
Chief Financial Officer

Condensed Interim Cash Flow Statement

for the quarter ended March 31, 2008 (Un-audited)

	Note	Quarter Ended	
		March 31, 2008	March 31, 2007
Rupees '000			
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	6	424,418	168,185
Staff gratuity paid		(39)	-
Taxes paid		(246,531)	(218,186)
(Increase) / Decrease in long-term loans to employees		(2,957)	6,063
Net cash from / (used in) operating activities		174,891	(43,938)
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(55,597)	(103,472)
Proceeds from sale of operating assets		9,389	8,072
Investments purchased		-	(296,769)
Net cash used in investing activities		(46,208)	(392,169)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(579)	(222)
Net increase / (decrease) in cash and cash equivalents		128,104	(436,329)
Cash and cash equivalents at the beginning of the year		4,252,745	4,666,470
Cash and cash equivalents at the end of the period		4,380,849	4,230,141

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



M. Salman Burney
Chairman / Chief Executive



Ghulam Mustafa Aziz
Chief Financial Officer

Condensed Interim Statement of Changes in Equity

for the quarter ended March 31, 2008 (Un-audited)

	Share capital	Capital reserve			Fair value reserve	General reserve	Unappropriated profit	Total	
		Share premium	Exchange loss on issue of shares	Reserve arising on amalgamation					For issue of bonus shares
Rupees '000									
Balance at January 1, 2007	1,365,375	1,409	9	375,563	-	(3,648)	3,999,970	1,798,240	7,536,918
Final dividend for the year ended December 31, 2006 @ Rs 8.00 per share	-	-	-	-	-	-	-	(1,092,300)	(1,092,300)
Profit after taxation for the quarter ended March 31, 2007	-	-	-	-	-	-	-	399,852	399,852
Surplus on revaluation of available-for-sale investments	-	-	-	-	-	2,440	-	-	2,440
Balance at March 31, 2007	1,365,375	1,409	9	375,563	-	(1,208)	3,999,970	1,105,792	6,846,910
Profit after taxation for the nine months ended December 31, 2006	-	-	-	-	-	-	-	1,270,673	1,270,673
Surplus on revaluation of available-for-sale investments	-	-	-	-	-	58	-	-	58
Transfer to reserve for issue of bonus shares	-	-	-	-	341,344	-	-	(341,344)	-
Issue of 1 bonus share for every 4 shares held	341,344	-	-	-	(341,344)	-	-	-	-
Balance at December 31, 2007	1,706,719	1,409	9	375,563	-	(1,150)	3,999,970	2,035,121	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
Deficit on revaluation of available-for-sale investments	-	-	-	-	-	(2,475)	-	-	(2,475)
Balance at March 31, 2008	1,706,719	1,409	9	375,563	-	(3,625)	3,999,970	1,201,692	7,281,737

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



M. Salman Burney
Chairman / Chief Executive



Ghulam Mustafa Aziz
Chief Financial Officer

Selected Notes to Condensed Interim Financial Statements

for the quarter ended March 31, 2008 (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 specialities, 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, 2007.

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, 2007.

3. CONTINGENCIES AND COMMITMENTS

	March 31, 2008	December 31, 2007
	Rupees '000	
3.1 Contingencies		
(a) Claims against the company not acknowledged as debt	291,970	289,033
(b) Taxation		

In finalising the company's assessments for the years 1999 - 2000 through 2002 - 2003 (accounting years ended December 31, 1998 through 2001) the Deputy Commissioner of Income Tax (DCIT) made additions to income raising tax demands of Rs 74.85 million. Such additions were made on the contention that the company had allegedly paid excessive amounts for importing raw materials. Upon company's appeals the Commissioner of Income Tax (Appeals) (CITA) maintained the addition to income for assessment years 1999 - 2000 and 2000 - 2001 (accounting years ended December 31, 1998 and 1999) while the addition made in assessment years 2001 - 2002 and 2002 - 2003 (accounting years ended December 31, 2000 and 2001) were deleted. In respect of assessment years 1999 - 2000 and 2000 - 2001 the company, and in respect of assessment years 2001 - 2002 and 2002 - 2003, the department, have filed respective appeals with the Income Tax Appellate Tribunal (ITAT).

In finalising the assessment of former Smith Kline & French of Pakistan Limited for the assessment year 2002 - 2003 (accounting year ended December 31, 2001), the DCIT made addition to income raising tax demands of Rs 4.4 million. Such addition was made on the contention that the company had allegedly paid excessive amount for importing raw materials. Upon company's appeal, the CITA maintained the addition to income. The company has filed an appeal with the ITAT.

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

3.2 Commitments

Commitments for capital expenditure outstanding as at March 31, 2008 amounted to Rs. 147.80 million (December 31, 2007: Rs.69.51 million).

4. FIXED ASSETS - property, plant and equipment

	Note	March 31, 2008	December 31, 2007
Rupees '000			
Operating assets	4.1	1,934,407	1,959,774
Capital work-in-progress		300,634	276,946
		2,235,041	2,236,720

4.1 Operating Assets

	Cost as at January 1, 2008	Additions/ (Disposals)	Cost as at March 31, 2008	Accumulated depreciation/ amortisation as at January 1, 2008	Depreciation / Amortisation for the period / (on disposals)	Accumulated depreciation / amortisation as at March 31, 2008	Impairment loss as at March 31, 2008	Net book value as at March 31, 2008	Rate of depreciation/ amortisation %
Rupees '000									
Freehold land	174	-	174	-	-	-	-	174	-
Leasehold land	52,937	-	52,937	14,169	413	14,582	-	38,355	2.5 to 10
Buildings on freehold land	70,747	196	70,943	30,328	235	30,563	-	40,380	2.5
Buildings on leasehold land	733,214	1,050	734,264	172,448	4,173	176,621	27,156	530,487	2.5
Plant and machinery	2,019,515	5,968 (471)	2,025,012	951,171	26,364 (471)	977,064	54,148	993,800	5 to 10
Furniture and fixtures	108,698	50 (109)	108,639	65,492	1,569 (84)	66,977	180	41,482	10
Vehicles	242,086	19,080 (16,923)	244,243	105,747	7,201 (11,498)	101,450	-	142,793	25
Office equipments	431,653	5,565 (1,852)	435,366	278,175	11,771 (1,752)	288,194	236	146,936	10 to 33.33
March 31, 2008	3,659,024	31,909 (19,355)	3,671,578	1,617,530	51,726 (13,805)	1,655,451	81,720	1,934,407	
December 31, 2007	2,955,016	788,892 (84,884)	3,659,024	1,507,579	172,362 (62,411)	1,617,530	81,720	1,959,774	

March 31, March 31,
2008 2007
Rupees '000

5. TRANSACTIONS WITH RELATED PARTIES

Relationship	Nature of transactions	March 31, 2008	March 31, 2007
Associated companies:	a. Purchase of goods, materials and services	206,553	415,020
	b. Sale of goods and services	13,416	20,155
	c. Recovery of expenses from related party	9,427	6,891
	d. Service fee	471	345
	e. Donation	10	70
	f. Sale of operating asset	-	947
Staff retirement funds:	a. Expense charged for retirement benefits plans	21,445	20,045
Key management personnel:	a. Salaries and other employee benefits	25,292	23,156
	b. Post employment benefits	1,869	1,690
	c. Share based remuneration	4,854	5,248

The related parties balances as at March 31, 2008 are included in trade and other payables, trade debts and other receivables.

Quarter Ended
 March 31, March 31,
 2008 2007
 Rupees '000

6. CASH GENERATED FROM OPERATIONS

Profit before taxation	729,610	629,852
Add / (Less): Adjustments for non-cash charges and other items		
Depreciation / Amortisation	51,726	40,413
Gain on disposal of operating assets	(3,839)	(4,883)
Provision for staff gratuity	10,959	11,005
Return on investments	(9,773)	(5,171)
Amortisation of premium on investments	140	250
	49,213	41,614
Profit before working capital changes	778,823	671,466
Effect on cash flow due to working capital changes		
(Increase) / Decrease in current assets		
Stores and spares	(630)	(6,237)
Stock-in-trade	(166,054)	(294,520)
Trade debts	(44,757)	(16,151)
Loans and advances	(28,185)	(47,357)
Trade deposits and short-term prepayments	(36,477)	(64,045)
Accrued return on term deposits	(5,285)	50,102
Refunds due from government	(144)	(638)
Other receivables	28,527	17,271
	(253,005)	(361,575)
(Decrease) / Increase in trade and other payables	(101,400)	(141,706)
	(354,405)	(503,281)
	424,418	168,185

7. EARNINGS PER SHARE - BASIC AND DILUTED

For the purpose of calculating earnings per share, number of shares outstanding as at March 31, 2007 have been adjusted to reflect the bonus shares issued after that period.

8. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on April 23, 2008 by the Board of Directors of the Company.



M. Salman Burney
Chairman / Chief Executive



Ghulam Mustafa Aziz
Chief Financial Officer



GlaxoSmithKline Pakistan Limited

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

GlaxoSmithKline Pakistan Limited is a member of GlaxoSmithKline group of companies.

© GlaxoSmithKline Pakistan Limited