do more
feel better
live longer

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GlaxoSmithKline
Consumer Healthcare Pakistan Limited
Half Yearly Report 2018

Corporate Information

Board of Directors

Mrs. Annelize Roberts
Chairperson

Mr. Sohail Matin
Mr. Moin Mohajir*
Mr. Syed Anwar Mehmood
Mr. Syed Azeem Abbas Naqvi
Ms. Emine Tasci Kaya
Mr. Farhan Muhammad Haroon

Audit Committee

Mr. Moin Mohajir*
Chairman

Mr. Syed Anwar Mehmood
Mr. Syed Azeem Abbas Naqvi

Secretary

Ms. Varisha Shahid*

Human Resource and Remuneration Committee

Mr. Syed Anwar Mehmood
Chairman

Mr. Sohail Matin
Mr. Syed Azeem Abbas Naqvi

Secretary

Mr. Ahmed Ali Zia

Integration Supply and Network Optimisation Committee

Ms. Emine Tasci Kaya
Chairperson

Mr. Syed Azeem Abbas Naqvi
Mr. Sohail Matin
Mr. Farhan Muhammad Haroon

Secretary

Mr. Irfan Qureshi

Management Committee

Mr. Sohail Matin
Mr. Farhan Muhammad Haroon
Mrs. Sadia Nasir
Mr. Ahmed Jamil Baloch
Mr. Shoaib Raza
Mr. Irfan Qureshi
Mr. Mazhar Shams

Company Secretary

Ms. Mehar Ameer*

Chief Financial Officer

Mr. Farhan Muhammad Haroon

Head of Internal Audit

Ms. Varisha Shahid*

Bankers

Citibank N.A

Auditors

Deloitte Yousuf Adil
Chartered Accountants

Legal Advisors

Mandviwalla Zafar & Zafar
Rasheed Razvi & Associates

Registered Office

35 Dockyard Road, West Wharf,
Karachi-74000

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

Fax:
92-21-323-148-98
92-21-323-111-22

Share Register

Central Depository Company of
Pakistan Limited

Website

www.pk-consumerhealthcare.gsk.com

**Mr. Moin Mohajir, Ms. Mehar Ameer and Ms. Varisha Shahid were appointed with effect from April, 2018*

Directors' Report
to the Shareholders

Dear Stakeholders,

I am pleased to present your Company's un-audited financial results for the half year ended June 30, 2018. These are prepared in accordance with Section 237(b) of the Companies Act, 2017 and regulation 5.19 of Pakistan Stock Exchange Limited.

Review of Operating Results

Turnover of the Company for the first six months of 2018 was recorded at Rs. 4,148 million, being 11% higher than the corresponding period last year. This was driven by strong performance in both Over the Counter (OTC) and Consumer Goods (FMCG) portfolios. However, your company faced certain challenges during Q2 2018, such as low sales in the Holy month of Ramadan and over bought position of OTC brands in the market during the preceding periods. The management took the necessary measures to ensure optimal level of stocks in the trade, and Q2 sales reflect that correction.

The Gross Profit has declined compared to the corresponding period last year because of higher cost of Raw and Packing materials consequent to the severe currency devaluation. The Annual price increase approved by DRAP on our OTC portfolio effective from Q3 will partly offset the inflationary cost increase, thereby enabling the Company to improve margins.

In line with the Company's strong focus on increasing consumption, we continue investment behind our key brands Sensodyne and Panadol, the new product launches, such as, Parodontax and Physiogel. This investment resulted in gains in market share and growth in value across all our key categories. Other income in this period was recorded at Rs. 134 million, which primarily represents interest income on surplus funds and insurance claim from business interruption losses during 2018 consequent to fire incident in the previous year.

Your Company posted a net profit after tax of Rs. 329 million in the first half which was 7% higher from corresponding period despite the reasons briefly outlined in the preceding paragraphs.

The Company has been internally generating all its operational, financial and investment needs. The Company invests its surplus funds in a mix of sovereign investments and bank deposits to maintain a risk averse optimum interest yielding portfolio. Cash inflows from operations were recorded at Rs. 94 million.

Future Outlook and Challenges

Despite the headwind we faced during Q2 the Company intends to continue to drive higher growth by investing in its flagship brands and through launches of new Innovative Science based products. This will better position us to develop and deliver a more diverse portfolio to meet the changing and dynamic needs, not only of our Consumers but also for our Customers and Healthcare Practitioners.

OTC represents a sizeable portion of the

Company’s portfolio, where all the long-term plans are dependent on the external factors, including the sustainable and conducive regulatory framework. Sustainable level playing field and conducive pricing policy is essential for the Pharmaceutical industry and your Company to continue to invest behind improved technologies and therapies available in other geographies globally. The recent improvements in regulatory environment will help drive the much needed pricing policy changes, which should positively impact our business. This coupled with our internal launch plans and strong investment will help fuel growth.

Our plans for this year will emphasize our commitment towards fostering the Consumer Healthcare Industry in Pakistan and thus, contributing towards economic well-being of the Country. We are confident that GlaxoSmithKline Consumer Healthcare Pakistan Limited will continue to drive growth and value for all our stakeholders, thereby enabling the patients and consumers to do more, feel better and live longer.

Acknowledgment

On behalf of the Board, I would like to place on record our appreciation for the commitment and passion demonstrated by the staff to help achieve the Company's objectives and achievement of your Company’s results.

Sincerely,

Sohail Matin
Chief Executive Officer
August 20, 2018

مستقبل کی منظر کشی اور چیلنجز

دوسری سہ ماہی کے دوران پیش آنے والے مشکل حالات کے باوجود کمپنی اپنے فلیگ شپ برانڈز اور نئے منفرد سائنسی بنیادوں پر تیار کیے گئے پراڈکٹس کی لانچ پر سرمایہ کاری کرتے ہوئے اعلیٰ سطح کی نشوونما کے سلسلے کو جاری رکھنے کی خواہشمند ہے۔ اس کی بدولت ہم مزید متنوع برانڈ پورٹ فولیو تیار کرنے اور فراہم کرنے میں مزید بہتر کارکردی کی پوزیشن میں ہوں گے تاکہ ر نہ صرف اپنے کنزیومرز بلکہ اپنے کسٹمرز اور ہیلتھ کیئر پریکٹیشنرز کی متحرک اور تیزی سے بدلتی ضروریات کو پورا کر سکیں۔

OTC کمپنی کے پورٹ فولیو کے ایک بڑے حصے کو ظاہر کرتا ہے، جہاں تمام تر طویل مدتی منصوبوں کا دارومدار بیرونی عوامل ، بشمول پائیدار اور قابل عمل ریگولیٹری فریم ورک پر ہے۔ یکساں اور پائیدار مواقع ، قابل عمل پرائسنگ پالیسی فارماسیوٹیکل انڈسٹری اور آپ کی کمپنی کے لیے ضروری ہیں تاکہ پہلے سے بہتر ٹیکنالوجیز اور دنیا بھر کے مختلف جغرافیائی خطوں میں دستیاب تھیراپیز کی مد میں سرمایہ کاری کو جاری رکھا جائے۔

ریگولیٹری ماحول میں آنے والی حالیہ بہتری ، پرائسنگ پالیسی میں درکار ضروری تبدیلیوں کے لیے بھی راہ ہموار کرے گی ، جسے ہمارے کاروبار پر مثبت انداز میں اثر انداز ہونا چاہیے۔ ان تمام کے ساتھ ہمارے لانچ کے داخلی منصوبے اور بھاری سرمایہ کاری بھی نشوونما کے لیے بے حد معاون ثابت ہو گی۔

اس سال کے لیے ہمارے منصوبے پاکستان میں کنزیمر ہیلتھ کیئر انڈسٹری کو فروغ دینے کے ہمارے عزم کی بھرپور عکاسی کریں گے، اور ملک کی معاشی ترقی کے لیے اہم کردار ادا کریں گے۔ ہم پُر اعتماد ہیں کہ گلیکسو اسمتھ کلائن کنزیومر ہیلتھ کیئر پاکستان لمیٹڈ اپنے اسٹیک ہولڈرز کے لیے کاروبار کو آگے بڑھانے اور اس کی قدر میں اضافے کے سلسلے کو جاری رکھے گی، تاکہ مریض اور کنزیومرز زیادہ کارکردگی دکھا ئیں، بہتر محسوس کریں اور زیادہ جئیں۔

اعتراف

بورڈ کی ایماءپر میں کمپنی کے مقاصد کے حصول اور آپ کی کمپنی کے بہتر نتائج کے حصول کے لیے اسٹاف کے جذبے اورعزم پر ہماری طرف سے ستائش کو ریکارڈ پر لانا چاہتا ہوں ، جس کی بدولت یہ سب کچھ ممکن ہو سکا۔

ڈائریکٹرز رپورٹ
برائے حصص یافتگان

عزیز اسٹیک ہولڈرز

میں آپ کی کمپنی کی 30 جون 2018 کو ختم ہونے والی ششماہی کے غیر آڈٹ شدہ مالیاتی نتائج پیش کرتے ہوئے خوشی محسوس کر رہا ہوں۔ انہیں کمپنیز ایکٹ 2017 اور پاکستان اسٹاک ایکسچینج کی ریگولیشن 5.19 کے مطابق تیار کیا گیا ہے۔

آپریٹنگ نتائج کا جائزہ

2018 کے پہلے چھ ماہ کے دوران کمپنی کا ٹرن اوور 4,148 ملین ریکارڈ کیا گیا، جو گذشتہ سال کے اسی عرصے کے مقابلے میں 11فیصد زیادہ ہے۔ یہ دونوں پورٹ فولیوز ، اوور دی کاؤنٹر (OTC) اور ایف ایم سی جی (FMCG) کی زبردست کار کردگی کی بدولت ممکن ہوا۔ بہرحال کمپنی نے سال 2018کی دوسری سہ ماہی میں بعض مخصوص چیلنجز کا سامنا کیا ، جیسا کہ رمضان المبارک کے مہینے میں ہونے والی کم سیلز اور اس کے بعد کے عرصے میں OTC برانڈز کی زائد مقدار میں خریداری کی پوزیشن ۔ مینجمنٹ نے ٹریڈ میں زیادہ سے زیادہ اسٹاک کے لیول کو یقینی بنانے کے لیے ضروری اقدامات کیے، جس کی جھلک دوسری سہ ماہی میں ہونے والی سیلز سے اس درستگی میں واضح طور پر دکھائی دیتی ہے۔

خام مال اور پیکنگ میٹریل کی قیمت میں اضافہ

کرنسی کی قدر میں کمی کی بناءپر گذشتہ سال اسی عرصے کے دوران ہونے والے منافع کے مقابلے میں کل منافع میں کمی واقع ہوئی ۔ ہمارے OTC پورٹ فولیو پر DRAP کی طرف سے قیمتوںمیں سالانہ اضافے کی منظوری ، جو کہ تیسری سہ ماہی سے موثر ہوگی ، افراط زرکی بناءپر ہونے والے قیمت میں اضافے کا جزوی طور پر تدارک کرے گی، جو کمپنی کے منافع میں بہتری کا باعث ہو گی۔

کھپت بڑھانے پر کمپنی کی مرکوز توجہ کے مطابق، ہم اپنے اہم برانڈز سینسوڈائن اور پیناڈول ، اور نئے برانڈز جیسا کہ پیروڈونٹیکس اور فزیوجیل کی لانچ پر سرمایہ کاری کو جاری رکھتے ہیں۔ اس سرمایہ کاری کا نتیجہ مارکیٹ شیئر میں اضافے اور تمام کیٹگریز میں قدر میں اضافے کی صورت میں بر آمد ہوتا ہے۔ اس دورانیہ میں دیگر آمدن 134ملین ریکارڈ کی گئی، جو بنیادی طور پر اضافی فنڈز پر حاصل ہونے والے سود اور گذشتہ سال آگ لگنے کے واقعے کی مد میں 2018 میں حاصل ہونے والے کاروباری رکاوٹ کے نقصان پر انشورنس کلیم کی بدولت ہے۔

آپ کی کمپنی نے ، ان وجوہاتھ کے باوجود ، جن کا پہلے تذکرہ کیا گیا ہے، پہلی ششماہی میں 329ملین روپے کا منافع حاصل کیا جو کہ گذشتہ سال کے اسی عرصے میں حاصل ہونے والی آمدن سے 7 فیصد زیادہ ہے۔

کمپنی داخلی طور پر اپنی آپریشنل ، فائنانشل اور سرنایہ کاری کی ضروریات کو پورا کر رہی ہے۔ کمپنی اپنے اضافی فنڈز کی سرمایہ کاری خودمختار انوسٹمنٹس اور بینک ڈپازٹس کے مکس میں کرتی ہے۔ تاکہ رسک سے پاک زیادہ سے زیادہ منافع کے حصول کو برقرار رکھا جائے۔ آپریشنز کے نتیجے میں حاصل ہونے والا کیش ان فلو 94 ملین ریکارڈ کیا گیا۔

Auditors Report
to the members

Introduction

We have reviewed the accompanying condensed interim statement of financial position of GlaxoSmithKline Consumer Healthcare Pakistan Limited as at June 30, 2018 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the condensed interim financial statements for the half year then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review. The figures reported in the condensed interim statement of profit or loss and other comprehensive income for the quarter ended June 30, 2018 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2018.

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 interim financial statements 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 interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Other matter

The interim financial statements for the half year ended June 30, 2017 and the annual financial statements of the Company for the year ended December 31, 2017 were reviewed and audited respectively by another firm of Chartered Accountants who expressed an unmodified conclusion and opinion respectively thereon vide their reports dated August 28, 2017 and February 23, 2018 respectively.

The engagement partner on the review resulting in this independent auditor's review report is Naresh Kumar.

Deloitte Yousuf Adil

Chartered Accountants
Place: Karachi
Date: August 28,2018

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2018

	Note	Un-audited June 30, 2018	Audited December 31, 2017
		Rupees	
ASSETS			
Non-current assets			
Fixed assets	4	129,611,862	124,719,671
Deferred taxation	8	16,982,496	8,236,058
Long-term loans to employees		453,125	854,322
		147,047,483	133,810,051
Current assets			
Stock-in-trade	5	1,040,939,778	821,918,549
Trade debts		288,239,335	271,293,332
Loans and advances	6	1,242,812,046	1,224,927,742
Trade deposits and prepayments		100,058,453	52,132,311
Interest accrued		55,506,575	20,843,727
Sales tax refundable		72,831,813	100,970,552
Other receivables		44,295,688	26,316,205
Investment at amortised cost		149,189,029	198,542,857
Bank balances	7	1,003,330,659	1,103,011,566
		3,997,203,376	3,819,956,841
Total assets		4,144,250,859	3,953,766,892
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital		955,501,830	955,501,830
Reserves		1,192,540,217	1,341,331,243
		2,148,042,047	2,296,833,073
LIABILITIES			
Non-current liabilities			
Staff retirement benefits		20,127,377	19,531,078
Current liabilities			
Trade and other payables	9	1,837,484,808	1,461,982,884
Taxation - provision less payments		138,596,627	175,419,857
		1,976,081,435	1,637,402,741
Total liabilities		1,996,208,812	1,656,933,819
Commitments	10		
Total equity and liabilities		4,144,250,859	3,953,766,892

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

Chief Financial Officer

Director

Chief Executive Officer

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UN-AUDITED)

FOR THE HALF YEAR ENDED JUNE 30, 2018

	Note	Half year ended		Quater ended	
		June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
		Rupees			
Net sales	11	**4,147,651,415**	3,746,461,774	**1,808,054,497**	2,096,452,155
Cost of sales		**(2,644,173,052)**	(2,244,996,000)	**(1,230,462,312)**	(1,229,684,381)
Gross profit		**1,503,478,363**	1,501,465,774	**577,592,185**	866,767,774
Selling, marketing and distribution expenses	12	**(972,931,226)**	(870,515,596)	**(420,206,178)**	(478,963,941)
Administrative expenses		**(116,726,316)**	(107,357,766)	**(60,021,326)**	(55,574,820)
Other operating expenses		**(41,073,351)**	(51,859,553)	**(13,844,586)**	(36,759,553)
Other income	13.1	**133,700,200**	120,310,986	**95,445,028**	97,140,617
Operating profit		**506,447,670**	592,043,845	**178,965,123**	392,610,077
Financial charges	13.2	**(9,317,943)**	(154,139)	**(2,679,136)**	(2,513)
Profit before taxation		**497,129,727**	591,889,706	**176,285,987**	392,607,564
Taxation	14	**(168,169,838)**	(284,391,254)	**(79,081,838)**	(231,891,254)
Profit after taxation		**328,959,889**	307,498,452	**97,204,149**	160,716,310
Other comprehensive income		**-**	-	**-**	-
Total comprehensive income		**328,959,889**	307,498,452	**97,204,149**	160,716,310
Earnings per share	15	**Rs. 3.44**	Rs. 3.22	**Rs. 1.01**	Rs. 1.68

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

Chief Financial Officer | Director | Chief Executive Officer

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

FOR THE HALF YEAR ENDED JUNE 30, 2018

		RESERVES			
		Capital Reserve	Revenue Reserve		
	SHARE CAPITAL	Reserve arising under the scheme of arrangement	Unappropriated profit	Total Reserves	Total
	Rupees				
Balance as at January 01, 2017	955,501,830	101,913,533	539,161,029	641,074,562	1,596,576,392
Total comprehensive income for the half year ended June 30, 2018	-	-	307,498,452	307,498,452	307,498,452
Balance as at June 30, 2017	955,501,830	101,913,533	846,659,481	948,573,014	1,904,074,844
Balance as at January 01, 2018	**955,501,830**	**101,913,533**	**1,239,417,710**	**1,341,331,243**	**2,296,833,073**
Final dividend for the year ended December 31, 2017 @ Rs. 5 per share			**(477,750,915)**	**(477,750,915)**	**(477,750,915)**
Total comprehensive income for the half year ended June 30, 2018	-	-	**328,959,889**	**328,959,889**	**328,959,889**
Balance as at June 30, 2018	**955,501,830**	**101,913,533**	**1,090,626,684**	**1,192,540,217**	**2,148,042,047**

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

Chief Financial Officer | Director | Chief Executive Officer

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)

FOR THE HALF YEAR ENDED JUNE 30, 2018

	Note	June 30, 2018	June 30, 2017
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	16	**124,482,174**	115,681,122
Staff retirement benefits paid		**(4,777,187)**	(3,663,106)
Income taxes paid		**(213,739,506)**	(138,346,893)
Decrease / (increase) in long-term loans to employees		**401,197**	(69,064)
Net cash used in operating activities		**(93,633,322)**	(26,397,941)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(18,124,800)**	(22,734,642)
Proceeds from sale of operating assets		**1,675,249**	7,469,749
Interest received		**36,317,991**	30,120,096
Net cash generated from investing activities		**19,868,440**	14,855,203
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid to shareholders		**(75,269,853)**	-
Net cash used in financing activities		**(75,269,853)**	-
Net decrease in cash and cash equivalents		**(149,034,735)**	(11,542,738)
Cash and cash equivalents at beginning of the period		**1,301,554,423**	670,342,359
Cash and cash equivalents at end of the period	17	**1,152,519,688**	658,799,621

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

Chief Financial Officer | Director | Chief Executive Officer

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE HALF YEAR ENDED JUNE 30, 2018

1. THE COMPANY AND ITS OPERATIONS

1.1 GlaxoSmithKline Consumer Healthcare Pakistan Limited (the Company) was incorporated in Pakistan as a public unlisted company under the provisions of the repealed Companies Ordinance, 1984 on March 31, 2015 principally to effect the demerger of Consumer Healthcare business of GlaxoSmithKline Pakistan Limited (GSK Pakistan) under a Scheme of Arrangement. The Company is engaged in manufacturing, marketing and sale of consumer healthcare products. The registered office of the Company is situated at 35 - Dockyard Road, West Wharf, Karachi 74000. The Company was listed at the Pakistan Stock Exchange Limited on March 22, 2017.

1.2 Due to the pending transfer of marketing authorisations and certain permissions for the Over the Counter (OTC) products of the Company with Drug Regulatory Authority of Pakistan (DRAP), GSK Pakistan, for and on behalf of the Company is engaged in the procurement, manufacturing, marketing and managing the related inventory and receivable balances pertaining to such products against a service fee charged by GSK Pakistan.

1.3 The Board of Directors (the Board) of the Company in its meeting held on June 05, 2018, approved the scheme of amalgamation (the Scheme) of GlaxoSmithKline OTC (Private) Limited (GSK OTC) with and into the Company. As a consequence of this proposed amalgamation 2.1 ordinary shares of the Company will be issued for every 10 ordinary shares of GSK OTC. Accordingly, 21,504,325 ordinary shares of the Company will be issued as consideration for 102,401,548 shares of GSK OTC. The approval of Scheme was subject to all applicable regulatory approvals including the approval of the Securities and Exchange Commission (SECP), approval of shareholders of the Company in a general meeting, compliance of all requirements of Companies Act 2017 and approval of Competition Commission of Pakistan. The Company is in the process of filing the merger petition with the High Court of Sindh.

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. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES, ESTIMATES AND JUDGEMENTS

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 for actuarial gain / loss has been calculated for the current period and comparative condensed interim financial statements have 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 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 June 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 June 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 FVOCI, 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 bases:

- 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 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 June 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE HALF YEAR ENDED JUNE 30, 2018

	Un-audited June, 2018	Audited December 31, 2017
	Rupees	
4. FIXED ASSETS		
Operating assets	97,916,470	99,754,799
Capital work-in-progress	31,695,392	24,964,872
	129,611,862	**124,719,671**

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

		"Half year ended June 30, 2018"		"Half year ended June 30, 2017"	
		Un-audited		Un-audited	
		Additions- at cost	**Disposals- at net book value**	Additions- at cost	Disposals- at net book value
	Note	**Rupees**		Rupees	
Operating assets					
Vehicles		**10,921,000**	**1,057,101**	27,989,500	-
Office equipment		**473,280**	-	24,747,264	6,055,361
		11,394,280	**1,057,101**	52,736,764	6,055,361
Capital work-in-progress	4.1.1	**6,730,520**	-	(30,002,122)	-
		18,124,800	**1,057,101**	22,734,642	6,055,361

4.1.1 Additions are net of transfers.

	Note	**Un-audited June 30, 2018**	Audited December 31, 2017
		Rupees	
5. STOCK-IN-TRADE			
Raw and packing materials		**215,526,370**	219,860,556
Work-in-process		**9,267,952**	14,850,762
Finished goods		**867,728,271**	639,760,309
		1,092,522,593	874,471,627
Less: provision for slow moving, obsolete and damaged stock	5.1	**(51,582,815)**	(52,553,078)
		1,040,939,778	821,918,549

5.1 No stock has been written off against provision during the period (December 31, 2017: Rs. 37.14 million).

6 LOANS AND ADVANCES

This includes an amount of Rs. 1 billion in respect of a loan given to GlaxoSmithKline OTC (Private) Limited, an associated company, on December 22, 2016 for the purchase of land, building and manufacturing facility from Novartis Pharma (Pakistan) Limited. The tenure of the loan was eleven months. The loan was further extended for a tenure of eleven months on November 20, 2017. Interest is receivable quarterly at the rate quoted by a designated bank for advances / loan in Pakistani Rupees for the respective interest period.

	Un-audited June 30, 2018	Audited December 31, 2017
	Rupees	
7. BANK BALANCES		
With banks		
on deposit accounts	-	1,000,000,000
on PLS savings accounts	**995,804,773**	103,011,566
on current accounts	**7,525,886**	-
	1,003,330,659	1,103,011,566
8. DEFERRED TAXATION		
Deferred tax liability on taxable temporary differences		
Accelerated tax depreciation allowances	**(3,997,045)**	(4,786,318)
Deferred tax asset on deductible temporary differences		
Provision for doubtful debts	**900,687**	866,007
Provision for slow moving, obsolete and damaged stock	**14,443,188**	6,859,863
Staff retirement benefits	**5,635,666**	5,296,506
	20,979,541	13,022,376
	16,982,496	8,236,058
9. TRADE AND OTHER PAYABLES		
Creditors and bills payable	**689,760,760**	457,281,525
Accrued liabilities	**587,526,352**	758,658,451
Dividend payable	**402,481,062**	-
Others	**157,716,634**	246,042,908
	1,837,484,808	1,461,982,884

10. COMMITMENTS

10.1 Commitments for capital expenditure outstanding as at June 30, 2018 amounting to Rs. 24.77 million (December 31, 2017: Rs. 9.88 million).

10.2 Outstanding letters of credit amount to Rs. 2.58 million (December 31, 2017: Rs. 1.37 million).

11. NET SALES

11.1 During the year ended December 31, 2015, the Drug Regulatory Authority of Pakistan (DRAP) issued the Drug Pricing Policy 2015 (the Policy) vide 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, GSK Pakistan had submitted applications for hardship price increase in respect of certain products which also included Over the Counter (OTC) products transferred to the Company from GSK Pakistan under the Scheme of Arrangement.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE HALF YEAR ENDED JUNE 30, 2018

The Company increased prices of its certain products since DRAP did not decide on the hardship cases within the stipulated nine months period. GSK Pakistan 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 GSK Pakistan 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 Judgment issued a letter on December 28, 2016 requiring the Company to recall all the products from the market on which the companies had availed the price increase. The Company, based on the legal advice, believes that there are certain ambiguities in the Judgement 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 pursuant to the Judgement. As a recent development, Supreme Court of Pakistan (SCP) has lifted all drug pricing related cases of all companies from SHC and have passed the final order on August 3, 2018 in the following terms:

- All Hardship cases decided by DRAP order under the Drug pricing policy 2015 where no objection filed by the company is settled.

- Remaining hardship applications of the company shall be decided by DRAP within 10 weeks under the new Drug pricing policy 2018, which is already notified.

The management of the Company believes that there are strong grounds to support the stance of the Company on hardship price increase on the remaining applications.

12. SELLING, MARKETING AND DISTRIBUTION EXPENSES

This includes advertising and sales promotion expenses of Rs. 652.47 million (June 30, 2017: Rs. 694.81 million).

	Half year ended - Unaudited		Quarter ended - unaudited	
	June 30, 2018	June 30, 2017	**June 30, 2018**	June 30, 2017
	Rupees		Rupees	
13.1 OTHER INCOME				
Income from financial assets				
Interest income on investments	**33,806,867**	11,888,658	**15,195,410**	6,660,696
Interest income on loan to GlaxoSmithKline OTC (Private) Limited	**37,173,972**	35,017,260	**19,035,890**	18,125,480
Income from non-financial assets				
Gain on disposal of operating assets	**618,148**	1,414,388	**-**	363,761
Others				
Insurance claim recovery	**60,585,663**	68,036,349	**60,564,207**	68,036,349
Others	**1,515,550**	3,954,331	**649,521**	3,954,331
	133,700,200	120,310,986	**95,445,028**	97,140,617
13.2 FINANCIAL CHARGES				
Exchange loss	**9,062,725**	-	**2,423,918**	-
Bank charges	**255,218**	154,139	**255,218**	2,513
	9,317,943	154,139	**2,679,136**	2,513

14. TAXATION

14.1 This includes current period charge of super tax amounting to Rs. 11.18 million (June 30, 2017: Nil) and prior year charge amounting to Rs. 36.42 million (June 30, 2017: Rs. 31.22 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) and tax on undistributed profit amounting to Rs. Nil (June 30, 2017: Rs. 64.21 million) in accordance with section 5A of Income Tax Ordinance, 2001 (as inserted by Finance Act 2015 and amended by Finance Act 2017).

14.2 The return for tax year 2017 was filed by the Company on November 15, 2017, which is treated as deemed assessment order under section 120 of the Income Tax Ordinance, 2001 (the Ordinance). The said return has been selected for audit by the Income Tax Department under section 177 of the Ordinance and accordingly a notice under section 176 dated April 10, 2018 was issued by the Deputy Commissioner Inland Revenue to initiate the audit proceedings. The Company has challenged the selection in Sindh High Court and has been granted a stay till the next hearing which is yet to be fixed.

15. EARNINGS PER SHARE

	Un-audited June 30, 2018	Un-audited June 30, 2017
	Rupees	
Profit after taxation	**328,959,889**	307,498,452
Weighted average number of shares outstanding during the period	**95,550,183**	95,550,183
Earnings per share - basic	**3.44**	3.22

15.1 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.

16. CASH GENERATED FROM OPERATIONS

	Un-audited June 30, 2018	Un-audited June 30, 2017
	Rupees	
Profit before taxation	**497,129,727**	591,889,706
Add / (less): Adjustments for non-cash charges and other items		
Depreciation	**12,175,508**	11,511,606
Gain on disposal of operating assets	**(618,148)**	(1,414,388)
Reversal of provision for slow moving, obsolete and damaged stock-in-trade net of stock written off	**(970,263)**	(41,239,716)
Provision / (reversal) for doubtful debts	**23,302**	(3,735,209)
Provision for staff retirement benefits	**5,373,486**	4,495,760
Interest income	**(70,980,839)**	(47,012,219)
Profit before working capital changes	**442,132,773**	514,495,540

	Un-audited June 30, 2018	Un-audited June 30, 2017
	Rupees	
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Stock-in-trade	**(218,050,966)**	(202,382,313)
Trade debts	**(16,969,305)**	(97,795,500)
Loans and advances	**(17,884,304)**	10,085,664
Trade deposits and prepayments	**(47,926,142)**	(151,878,997)
Sales tax refundable	**28,138,739**	(49,107,925)
Other receivables	**(17,979,483)**	104,170,694
	(290,671,461)	(386,908,377)
Decrease in current liabilities		
Trade and other payables	**(26,979,138)**	(11,906,041)
	(317,650,599)	(398,814,418)
	124,482,174	115,681,122

17. CASH AND CASH EQUIVALENTS

	Note	Un-audited June 30, 2018	Audited December 31, 2017	Un-audited June 30, 2017
		Rupees		
Bank balances	7	**1,003,330,659**	1,103,011,566	658,799,621
Investment at amortised cost		**149,189,029**	198,542,857	-
		1,152,519,688	1,301,554,423	658,799,621

18. TRANSACTIONS WITH RELATED PARTIES

The related parties include associated companies, directors and key management personnel of the Company. The transactions with related parties are carried out in the normal course of business at contracted rates. Details of transactions with related parties and balances with them at year end, other than those which have been disclosed elsewhere in these financial statements, are as follows:

18.1 Details of transactions carried out during the period with the related parties are as follows:

Relationship	**Nature of transactions**		Un-audited June 30, 2018	Un-audited June 30, 2017
			Rupees	
Holding Company	Dividend		**394,594,670**	-
Associated Companies	a.	Purchase of goods	**2,414,657,092**	2,092,686,183
	b.	Expenses cross charged by GSK Pakistan	**57,106,596**	60,406,596
	c.	Interest income on loan to GlaxoSmithKline OTC (Private) Limited	**37,173,972**	35,017,260
	d.	Services fee charged by GSK Pakistan	**6,000,000**	6,000,000
	e.	Income cross charged to GlaxoSmithKline OTC (Private) Limited	**11,880,000**	11,880,000

Relationship		Nature of transactions	**Un-audited June 30, 2018**	Un-audited June 30, 2017
			Rupees	
Staff retirement funds:	a.	Expense charged for retirement benefit plans	**11,014,215**	9,011,110
	b.	Payments to retirement benefit plans	**10,420,167**	8,141,023
Key management personnel:	a.	Salaries and other employee benefits	**57,423,971**	50,361,946
	b.	Post employment benefits	**3,878,898**	3,158,653

18.2 Details of outstanding balances as at period / year end with the related parties are as follows:

			Un-audited June 30, 2018	Audited December 31, 2017
			Rupees	
Holding Company		Dividend	**394,594,670**	-
Associated Companies	a.	Other receivables	**41,707,132**	23,760,000
	b.	Trade and other payables	**608,452,096**	365,612,744
	c.	Staff retirement benefits (Payable)	**20,127,377**	19,531,078

19. FAIR VALUE MEASUREMENTS

IFRS 13 "Fair Value Measurement" defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying amounts of all the financial instruments reflected in these financial statements approximate their fair value. IFRS 13 requires categorization of fair value measurements into different levels of fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Company does not have any financial assets and liabilities measured at fair value. The carrying values of all the financial assets and financial liabilities reported in the balance sheet approximate their fair values.

20. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were approved and authorised for issue by the Board of Directors of the Company on 20 August, 2018.

Chief Financial Officer | Director | Chief Executive Officer

do more
feel better
live longer

THE BLUE DOT

GlaxoSmithKline Consumer Healthcare Pakistan Limited
35 - Dockyard Road, West Wharf, Karachi - 74000
GlaxoSmithKline Consumer Healthcare Pakistan Limited
is a member of GlaxoSmithKline group of companies.