do more
feel better
live longer

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GlaxoSmithKline
Consumer Healthcare Pakistan Limited
Third Quarter 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. Talal Javed Ahmed*

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. Talal Javed Ahmed*

Secretary

Mr. Irfan Qureshi

Management Committee

Mr. Sohail Matin
Mr. Talal Javed Ahmed*
Mrs. Sadia Nasir
Mr. Ahmed Jamil Baloch
Mr. Shoaib Raza
Mr. Irfan Qureshi
Mr. Mazhar Shams

Company Secretary

Ms. Mashal Mohammad*

Chief Financial Officer

Mr. Talal Javed Ahmed*

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. Talal Javed Ahmed and Ms. Mashal Mohammad were appointed with effect from October 5, 2018*

Directors' Report
to the Shareholders

Dear Stakeholders,

I am pleased to present your Company's un-audited financial results for the nine months ended September 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 nine months of 2018 was recorded at Rs. 6,191 million, being 4.6% higher than the corresponding period last year. We have been able to achieve this increase through investment in our Over the Counter (OTC) and Fast-Moving Consumer Goods (FMCG) portfolio. However, the Company faced certain challenges during Q2 and Q3 this year because of high in-market stocks carried forward from last year, that were liquidated during the current period. The management took the necessary measures to restructure its route-to-market in order to restrict practices that may lead to sales volatility.

The Gross profit margin for this period has declined from last year's corresponding period mainly due to the higher cost of raw and packing materials consequent to severe currency devaluation. The annual price increase under the new Drug Pricing Policy along with decision over prior hardship cases is expected to occur in Q4 which will help offset the inflationary pressure and improve gross margins.

In line with the Company's strong focus on increasing consumption, we continue investment behind our key brands Sensodyne, Panadol and Physiogel. This investment resulted in competitive growth in value and drive consumption across all our key categories. Other income in this period was recorded at Rs. 172 million, around 23% higher than corresponding period last year, 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, as already mentioned in the Q2 Director's Report.

Your Company posted a net profit after tax of Rs. 479 million in these nine months which was 3% lower from corresponding period due to the devaluation impact on margins as well as fuel inflation impact on distribution expenses.

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. 72.1 million, temporarily impacted by increased working capital. This working capital will be brought down during Q4 to bring back additional cash into the business.

Future Outlook and Challenges

The Company intends to continue to drive higher growth by effectively penetrating available sales channels, investing in its flagship brands and through launches of new Innovative science-based products. We continue to invest behind improved technologies and therapies available in other geographies globally. This will better position us to develop and deliver a more diverse portfolio to meet the changing and dynamic needs of patients & consumers.

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. In view of the ongoing currency devaluation, the Company is attempting to mitigate part of this business risk through much-needed price increases.

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
October 29, 2018

مستقبل کی منظر کشی اور چیلنجز

کمپنی مؤثر طریقے سے مصنوعات فروخت کرنے کے دستیاب ذرائع، 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۔ کمپنی کے لیے ضروری ہے کہ پہلے سے بہتر ٹیکنالوجیز اور دنیا بھر کے مختلف جغرافیائی خطوں میں دستیاب تھیراپیز کی مد میں سرمایہ کاری کو جاری رکھا جائے۔ اس کی بدولت ہم مزید متنوع برانڈ پورٹ فولیو تیار کرنے اور فراہم کرنے میں مزید بہتر کارکردگی کی پوزیشن میں ہوں گے تاکہ ہم اپنے مریضوں اور کنزیومرز 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۔ روپے کی قدر میں مسلسل کمی کو مد نظر رکھتے ہوئے کمپنی کوشش کر رہی ہے کہ حسبِ ضرورت قیمتوں میں اضافہ کر کے اس بزنس رسک کو کم کیا جائے۔

اس سال کے لیے ہمارے منصوبے پاکستان میں کنزیومر 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 دکھائیں، بہتر محسوس کریں اور زیادہ جئیں۔

اعتراف

بورڈ کی ایماء پر میں کمپنی کے مقاصد کے حصول اور آپ کی کمپنی کے بہتر نتائج کے حصول کے لیے اسٹاف کے جذبے اور عزم 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 30ستمبر 2018 کو ختم ہونے والی نوماہی غیر آڈٹ شدہ مالیاتی نتائج پیش کرتے ہوئے خوشی محسوس کر رہا ہوں۔ انھیں کمپنیز ایکٹ 2017 اور پاکستان اسٹاک ایکسچینج کی ریگولیشن 5.19کے مطابق تیار کیا گیا ہے۔

آپریٹنگ نتائج کا جائزہ

2018 کے پہلے نو ماہ کے دوران کمپنی کا ٹرن اوور 6،191 ملین ریکارڈ کیا گیا، جو گذشتہ سال کے اسی عرصے کے مقابلے میں 4.6 فیصد زیادہ ہے۔ یہ دونوں پورٹ فولیوز ، اوور دی کاؤنٹر (OTC) اور ایف ایم سی جی (FMCG) میں سرمایہ کاری کرنے کا نتیجہ ہے۔ بہرحال کمپنی نے سال 2018 کی دوسری اور تیسری سہ ماہی میں بعض مخصوص چیلنجز کا سامنا کیا جس کی وجہ مارکیٹ میں موجود پچھلے سال کا زیادہ مقدار کا اسٹاک اس سال میں تحلیل ہونا ہے۔ مینجمنٹ نے نئے سرے سے مارکیٹ تک پہنچنے کے لیے کچھ ضروری اقدامات اٹھائے ہیں تاکہ سیلز میں کمی بیشی کو روکا جا سکے۔

کرنسی کی قدر میں کمی کی بناء پر گذشتہ سال اسی عرصے کے دوران ہونے والے مجموعی منافع کے مقابلے میں کل منافع میں کمی واقع ہوئی۔قیمتوں میں سالانہ اضافہ نئی ڈرگ پرائسنگ پالیسی اور پہلے سے موجود مشکلات کے نتیجے کے تحت سالانہ قیمتوں میں اضافہ چوتھی سہ ماہی میں متوقع ہے، جو افراطِ زر کی بناء پر ہونے والے قیمت میں اضافے کا جزوی طور پر تدارک کرے گی اور کمپنی کے منافع میں بہتری کا باعث ہو گی۔

کھپت بڑھانے پر کمپنی کی مرکوز توجہ کے مطابق، ہم اپنے اہم برانڈز سینسوڈائن، پیناڈول اور فزیوجیل پر سرمایہ کاری کو جاری رکھتے ہیں۔ اس سرمایہ کاری کا نتیجہ تمام کیٹگریز کی قدر اور کھپت میں اضافے کی صورت میں بر آمد ہوتا ہے۔ اس دورانیہ میں دیگر آمدن 172ملین ریکارڈ کی گئی، جو گزشتہ سال کے اس عرصے کے مقابلے میں 23 فیصد سے زیادہ تھی، 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، جو دوسری سہ ماہی کی ڈائریکٹرز رپورٹ میں بھی واضح کیا گیا ہے۔

آپ کی کمپنی نے نو ماہ میں 479 ملین روپے کا منافع حاصل کیا جو کہ گذشتہ سال کے اسی عرصے میں حاصل ہونے والی آمدن سے 3 فیصد کم تھا جس کی وجہ روپے کی قدر میں کمی اور تیل کی قیمتوں میں اضافے تھا۔

کمپنی داخلی طور پر اپنی آپریشنل ، فائنانشل اور سرمایہ 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 72.1 ملین ریکارڈ کیا گیا جس پر اضافی ورکنگ کیپیٹل کی وجہ سے عارضی طور پر اثر ہوا۔ یہ ورکنگ کیپیٹل اضافی کیش کو بزنس میں واپس لانے کے لیے چوتھی سہ ماہی میں کم کیا جائے گا۔

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2018

	Note	Un-audited September 30, 2018	Audited December 31, 2017
		Rupees	
ASSETS			
Non-current assets			
Fixed assets	4	**130,268,463**	124,719,671
Deferred taxation		**22,853,301**	8,236,058
Long-term loans to employees		**495,811**	854,322
		153,617,575	133,810,051
Current assets			
Stock-in-trade		**1,026,507,443**	821,918,549
Trade debts		**380,014,986**	271,293,332
Loans and advances	5	**1,060,611,921**	1,224,927,742
Trade deposits and prepayments		**227,590,976**	52,132,311
Interest accrued		**77,358,904**	20,843,727
Sales tax refundable		**55,576,515**	100,970,552
Other receivables		**59,834,923**	26,316,205
Investment at amortised cost		**199,000,675**	198,542,857
Bank balances		**798,477,763**	1,103,011,566
		3,884,974,106	3,819,956,841
Total assets		**4,038,591,681**	3,953,766,892
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital		**955,501,830**	955,501,830
Reserves		**1,342,737,838**	1,341,331,243
		2,298,239,668	2,296,833,073
LIABILITIES			
Non-current liabilities			
Staff retirement benefits		**20,771,946**	19,531,078
Current liabilities			
Trade and other payables	6	**1,566,268,949**	1,461,982,884
Taxation - provision less payments		**153,311,118**	175,419,857
		1,719,580,067	1,637,402,741
			-
Total liabilities		**1,740,352,013**	1,656,933,819
Commitments	7		
Total equity and liabilities		**4,038,591,681**	3,953,766,892

The annexed notes 1 to 14 form an integral part of this condensed interim financial statements.

Chief Financial Officer — Director — Chief Executive Officer

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 (Un-audited)

		Quarter Ended		Nine Months Ended	
	Note	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
		Rupees			
Net sales	8	**2,042,880,471**	2,170,721,200	**6,190,531,886**	5,917,182,974
Cost of sales		**(1,308,397,376)**	(1,415,248,889)	**(3,952,570,428)**	(3,660,244,889)
Gross profit		**734,483,095**	755,472,311	**2,237,961,458**	2,256,938,085
Selling, marketing and distribution expenses	9	**(478,623,349)**	(461,148,623)	**(1,451,554,575)**	(1,331,664,219)
Administrative expenses		**(71,560,122)**	(45,977,920)	**(188,286,438)**	(153,335,686)
Other operating expenses		**(13,534,652)**	(17,467,447)	**(54,608,003)**	(69,327,000)
Other income		**38,496,173**	20,155,433	**172,196,373**	140,466,419
Operating profit		**209,261,145**	251,033,754	**715,708,815**	843,077,599
Financial charges		**(1,168,383)**	(14,185,911)	**(10,486,326)**	(14,340,050)
Profit before taxation		**208,092,762**	236,847,843	**705,222,489**	828,737,549
Taxation		**(57,895,141)**	(50,580,746)	**(226,064,979)**	(334,972,000)
Profit after taxation		**150,197,621**	186,267,097	**479,157,510**	493,765,549
Other comprehensive income		**-**	-	**-**	-
Total comprehensive income		**150,197,621**	186,267,097	**479,157,510**	493,765,549
Earnings per share - basic	10	**Rs. 1.57**	Rs. 1.95	**Rs. 5.01**	Rs. 5.17

The annexed notes 1 to 14 form an integral part of this condensed interim financial statements.

Chief Financial Officer Director Chief Executive Officer

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 (Un-audited)

		RESERVES		
		Capital	Revenue	
	SHARE CAPITAL	Reserve arising as per scheme of arrangement note 1.1	Accumulated Loss / Unappro-priated profit	Total
	Rupees			
Balance as at January 01, 2017	**955,501,830**	**101,913,533**	**539,161,029**	**1,596,576,392**
Total comprehensive income for nine months ended September 30, 2017	-	-	493,765,549	493,765,549
Balance as at September 30, 2017	**955,501,830**	**101,913,533**	**1,032,926,578**	**2,090,341,941**
Balance as at January 01, 2018	**955,501,830**	**101,913,533**	**1,239,417,710**	**2,296,833,073**
Final Dividend for the year ended December 31, 2017 @ Rs. 5 per share	-	-	(477,750,915)	(477,750,915)
Total comprehensive income for the nine months ended September 30, 2018	-	-	479,157,510	479,157,510
Balance as at September 30, 2018	**955,501,830**	**101,913,533**	**1,240,824,305**	**2,298,239,668**

The annexed notes 1 to 14 form an integral part of this condensed interim financial statements.

Chief Financial Officer | Director | Chief Executive Officer

CONDENSED INTERIM CASH FLOW STATEMENT

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 (Un-audited)

	Note	September 30, 2018	September 30, 2017
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	11	**72,114,891**	560,594,686
Staff retirement benefits paid		**(15,855,886)**	(12,585,524)
Income taxes paid		**(262,790,961)**	(212,235,964)
Decrease / (increase) in long-term loans to employees		**358,511**	(192,070)
Net cash (used in) / generated from operating activities		**(206,173,445)**	335,581,128
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		**(27,734,059)**	(26,726,330)
Proceeds from sale of operating assets		**6,003,400**	12,876,868
Net cash used in investing activities		**(21,730,659)**	(13,849,462)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		**(76,171,881)**	-
Net cash used in financing activities		**(76,171,881)**	-
Net (decrease) / increase in cash and cash equivalents		**(304,075,985)**	321,731,666
Cash and cash equivalents at the beginning of the period		**1,301,554,423**	670,342,359
Cash and cash equivalents at the end of the period	12	**997,478,438**	992,074,025

The annexed notes 1 to 14 form an integral part of this condensed interim financial statements.

Chief Financial Officer

Director

Chief Executive Officer

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

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 (Un-audited)

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 management 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 shareholders of the Company in a general meeting and compliance of all requirements of Companies Act 2017. 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 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 assess 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 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 instument.

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 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 judgements

Estimates and judgements 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.

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

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 (Un-audited)

	Unaudited September 30, 2018	Audited December 31, 2017
	Rupees	
4. FIXED ASSETS		
Operating assets - note 4.1	**97,221,812**	99,754,799
Capital work-in-progress	**33,046,651**	24,964,872
	130,268,463	**124,719,671**

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

	Additions (at cost)		Disposals (at net book value)	
	September 30, 2018	September 30, 2017	**September 30, 2018**	September 30, 2017
	Rupees			
Plant and Machinery	-	-	-	4,782,327
Office equipments	**473,280**	24,747,264	-	8,028,964
Furniture and fixtures	-	-	-	47,133
Vehicles	**19,179,000**	30,636,500	**3,865,082**	9,604,491
	19,652,280	**55,383,764**	**3,865,082**	**22,462,915**

5. 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.

	September 30, 2018	December 31, 2017
	Rupees	
6. TRADE AND OTHER PAYABLES		
Creditors and bills payable	262,312,760	457,281,525
Accrued liabilities	732,075,966	758,658,451
Dividend payable	401,579,034	-
Others	170,301,189	246,042,908
	1,566,268,949	1,461,982,884

7. COMMITMENTS

Commitments for capital expenditure outstanding as at September 30, 2018 amounted to Rs. 12 million (December 31, 2017: Rs. 9.88 million).

8. NET SALES

8.1 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.

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 from 3rd August, 2018 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.

9. SELLING, MARKETING AND DISTRIBUTION EXPENSES

This includes advertising and sales promotion expenses of Rs. 972.52 million (September 30, 2017: Rs. 953 million).

	September 30, 2018	September 30, 2017
	← Rupees	→
10. EARNINGS PER SHARE		
Profit after taxation	**479,157,510**	493,765,549
Weighted average number of outstanding shares	**95,550,183**	95,550,183
Earnings per share - basic	**Rs. 5.01**	Rs. 5.17

10.1 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.

11. CASH GENERATED FROM OPERATIONS

	September 30, 2018	September 30, 2017
	Rupees	
Profit before taxation	**705,222,489**	828,737,549
Add / (less): Adjustments for non-cash charges and other items		
Depreciation	**18,320,185**	17,590,236
(Gain)/Loss on disposal of operating fixed assets	**(2,138,318)**	3,530,686
Provision for staff retirement benefits	**17,096,754**	13,638,971
(Reversal)/provision for doubtful debts	**23,302**	263,574
Profit before working capital changes	**738,524,412**	**863,761,016**
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Stock-in-trade	**(204,588,894)**	(282,575,848)
Trade debts	**(108,744,956)**	23,297,595
Loans and advances	**164,315,821**	17,359,573
Deposits and Prepayments	**(175,458,665)**	(313,995,368)
Interest accrued	**(56,515,177)**	(37,314,658)
Sales tax refundable	**45,394,037**	15,911,041
Other receivables	**(33,518,718)**	99,467,980
	(369,116,552)	(477,849,685)
(Decrease) / increase in current liabilities		
Trade and other payables	**(297,292,969)**	174,683,355
	(666,409,521)	(303,166,330)
	72,114,891	560,594,686

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

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 (Un-audited)

	September 30, 2018	September 30, 2017
	← Rupees →	
12. CASH AND CASH EQUIVALENTS		
Cash and bank balances	**798,477,763**	42,074,025
Short term investments - Treasury bills	**199,000,675**	950,000,000
	997,478,438	992,074,025

13. TRANSACTIONS WITH RELATED PARTIES

Relationship		Nature of transactions	September 30, 2018	September 30, 2017
			← Rupees →	
Associated Companies	a.	Purchase of goods	**3,449,500,182**	3,182,386,619
	b.	Expenses cross charged by GlaxoSmithKline Pakistan Ltd.	**91,396,636**	90,609,894
	c.	Interest income on loan to GlaxoSmithKline OTC (Pvt) Ltd	**59,026,301**	53,341,917
	d.	Services fees charged by GlaxoSmithKline Pakistan Ltd.	**9,000,000**	9,000,000
	e.	Income cross charged to GlaxoSmithKline OTC (Pvt) Ltd.	**17,820,000**	-
Staff retirement funds:	a.	Expense charged for retirement benefit plans	**17,096,754**	13,386,389
	b.	Payments to retirement benefit plans	**15,858,137**	12,332,942
Key management personnel:	a.	Salaries and other employee benefits	**77,580,424**	66,971,000
	b.	Post-employment benefits	**6,347,593**	4,905,000

14. 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.

Chief Financial Officer | Director | Chief Executive Officer

do more
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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.