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THE BLUE DOT

GlaxoSmithKline Consumer Healthcare Pakistan Limited
35 - Dockyard Road, West Wharf, Karachi - 74000
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پاکستان

HALF YEARLY REPORT 2019

GLAXOSMITHKLINE CONSUMER HEALTHCARE PAKISTAN LIMITED

Composition of the Board

Name	Category
Ms. Annelize Roberts	Non-Executive Female Director (Chairperson)
Mr. Sohail Matin	Executive Director (Chief Executive Officer)
Mr. M. Z. Moin Mohajir	Independent Director
Syed Anwar Mahmood	Independent Director
Syed Azeem Abbas Naqvi	Non-Executive Director
Ms. Emine Tasci Kaya	Non-Executive Female Director
Mr. Talal Javed Ahmed	Executive Director

Audit Committee

Mr. M.Z. Moin Mohajir
(Chairman)
Syed Azeem Abbas Naqvi
Syed Anwar Mahmood

Secretary

Ms. Varisha Shahid

Human Resource and Remuneration Committee

Syed Anwar Mahmood
(Chairman)
Mr. Sohail Matin
Syed Azeem Abbas Naqvi

Secretary

Ms. Tania Zahid

Company Secretary

Ms. Mashal Mohammad

Chief Financial Officer

Mr. Talal Javed Ahmed

Integration Supply and Network Optimization Committee

Ms. Emine Tasci Kaya
(Chairperson)
Syed Azeem Abbas Naqvi
Mr. Sohail Matin
Mr. Talal Javed Ahmed

Secretary

Mr. Irfan Qureshi

Risk 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

Head of Internal Audit

Ms. Varisha Shahid

Bankers

Standard Chartered Bank
(Pakistan) Limited
CitiBank N.A

Auditors

Deloitte Yousuf Adil,
Chartered Accountants

Legal Advisors

Hashmi & Hashmi

Registered Office

35 Dockyard Road, West
Wharf, Karachi 74000-

Tel:

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

Fax:

92-21-323-148-98
92-12-323-111-22

Share Registrar

Central Depository Company of
Pakistan Limited

Website

www.pk-consumerhealthcare.gsk.com



Directors' Report to the Shareholders

Dear Shareholders,

I am pleased to present your Company's un-audited financial information for the half year ended June 30, 2019. This financial information is submitted in accordance with Section 237 (b) of the Companies Act, 2017 and regulation 5.19 of Pakistan Stock Exchange Limited.

As explained in Note 1.3 of these financial statements, the entire business of GSK OTC has been transferred and vested into the Company with effect from January 01, 2018. Consequently, the comparative results in these financial statements have been restated from January 01, 2018 to June 30, 2018 to reflect the merged results of both companies.



Review of Operating Results

Turnover of the company for the first six months was recorded at Rs. 7,899 million, being 14% higher than the corresponding period last year. Healthy performance was witnessed in both Over the Counter (OTC) and Fast-Moving Consumer Goods (FMCG) portfolios, with a 12.6% increase in the Oral Healthcare category, 23.2% increase in the Skin Health category, 17.1% increase in the Nutrition and Digestive Health category and 15.6% increase in the Pain category, as compared to the corresponding period last year. The Company also registered export revenue amounting to Rs. 321 million.

Gross Margins for the half year have been recorded at 33% of sales. This year the Pakistani Rupee experienced devaluation by 14% percentage that affected our cost of sales. However, the decline in margins was offset by the much-awaited price increases that have been granted during early 2019. Consequently, the Company has reported an improvement in gross margins as compared to last year for the same quarter.

Selling, marketing and distribution expenses were recorded at Rs. 1,435 million, 9.4% increase as compared to last year. This investment resulted in growth in value across our key categories as outlined above. The administrative expenses were lower than last year, mainly due to merger related legal fees that was incurred in 2018.

Operating profit for the half year ended was recorded at Rs. 999 million which is 15% higher than the corresponding period last year.

Cash inflows from operations were recorded at Rs. 331 million which were utilized to meet internal financing needs and offset the use of running finance facility.

Your Company posted a net profit after tax of Rs. 609 million in the first half of 2019 which is higher than the corresponding period last year. The profit after tax of sales was recorded at 8%. Earnings per share are Rs. 5.20.



Future Outlook and Challenges

The challenges are expected to be offset through the recently availed price increase that will favorably impact the next quarter results. Your Company remains proactively engaged in various industrial and regulatory forums to ensure that we continue to operate in sustainable circumstances, despite the inflationary economic pressures. We aim to enhance consumer trust by guaranteeing the availability of high quality products.

Going forward, your Company has set its priority to focus on increased customer value, innovation, better performance and greater trust. Emphasis is placed on increased productivity, reduced cost and improved technology to be able to achieve long-term profitability and fulfil the dynamic needs of our consumers and healthcare professionals.

We anticipate our Sales to grow double digit because of launch of new variants in Nutrition, Medicated Oral Healthcare and Pain category. To achieve our long-term high growth ambition, it is imperative that the Company continues to invest in our established brands to increase consumption and brand equity. With enhanced sales structure, and e-commerce activities, we plan to drive exponential growth in key trade channels and display agility to address the challenging business environment.

Following the merger transaction last year, your Company now operates its standalone manufacturing facility where it recently upgraded its Enterprise Resource Planning (ERP) system to SAP during the first half of 2019. This is expected to bring efficiencies in our supply chain operations in areas such as material planning, seamless procurement, improved supply accuracy and working capital management.

Your Company is committed to serve its consumers better, increase value for its shareholders, and exceed the average market growth. We strive to achieve this by being one of the country's most innovative, best performing and trusted healthcare companies, thereby enabling the patients and consumers to do more, feel better and live longer.



Remuneration Policy

The Non-Executive Board Directors of GlaxoSmithKline Consumer Healthcare Pakistan Limited are entitled to a remuneration approved by the HR and Remuneration Committee, based on market benchmark of the Consumer Healthcare Industry and other similar style of business.



Acknowledgment

On behalf of the Board of Directors, I want to take this opportunity to extend appreciation to our employees, suppliers, and partners for their continued support and dedication in the achievement of the Company's results. The professionalism and self-motivation our team has displayed is truly inspirational.

Sincerely,

Sohail Matin

Chief Executive Officer

August 27, 2019



مشاہرہ کی پالیسی

گلیکسو اسمتھ کلن کنزیومر ہیلتھ کیئر پاکستان لمیٹڈ کے نان ایگزیکٹو بورڈ آف ڈائریکٹر زکنزیومر ہیلتھ کیئر انڈسٹری اور دیگر اسی نوعیت کے کاروبار کے مارکیٹ کے معیار کے حساب سے ایچ آر اور مشاہرہ کمیٹی کی طرف سے منظور کردہ مشاہرہ کے حقدار ہیں۔



اعتراف

بورڈ آف ڈائریکٹر کی طرف سے، میں اس موقع کا فائدہ اٹھاتے ہوئے کمپنی کے کامیاب نتائج کے حصول میں اپنے ملازمین، سپلائرز، اور شراکت داروں کے مسلسل تعاون اور لگن پر ان کا تہہ دل سے شکریہ ادا کرتا ہوں۔ ہماری ٹیم کی طرف سے جس پیشہ ورانہ طرز عمل اور جوش و جذبے کا مظاہرہ کیا گیا، انتہائی متاثر کن ہے۔

خیر خواہ
سہیل متین

Chief Executive Officer

چیف ایگزیکٹو آفیسر
27 اگست، 2019

آپ کی کمپنی فعال طور پر بہت سے انڈسٹریل اور ریگولیٹری فورمز کے ساتھ رابطے میں ہے تاکہ مہنگائی کی وجہ سے پیدا ہونے والے معاشی دباؤ کے باوجود، مستحکم صورتحال میں آپریشنز کے جاری رہنے کو یقینی بنایا جائے۔ ہم صارفین کے اعتماد میں اضافے کے لیے بہترین کوالٹی کی پراڈکٹس کی دستیابی کو یقینی بنانے کے لیے پرعزم ہیں۔

آنے والے دنوں میں، آپ کی کمپنی نے کسٹمرز کی قدر، جدت، بہتر کارکردگی اور زیادہ سے زیادہ بھروسے پر توجہ مرکوز رکھنے کو اپنی ترجیح بنایا ہے۔ پراڈکٹوٹی میں اضافے، اخراجات میں کمی اور ٹیکنالوجی میں بہتری پر زور دیا جا رہا ہے تاکہ طویل مدتی منافع حاصل کیا جائے اور اپنے صارفین اور ہیلتھ کیئر پروفیشنلز کی تیزی سے بدلتی ضروریات کو پورا کیا جائے۔

نیوٹریشن، میڈیکل اورل ہیلتھ کیئر اور پین کے شعبہ میں نئے ویرینٹس متعارف کرانے کی بدولت، ہم توقع رکھتے ہیں کہ ہماری سیلز میں دہرے ہندسے میں اضافہ ہوگا۔ اپنے طویل مدتی بہترین پیداوار کے عزم کی تکمیل کے لیے ضروری ہے کہ کمپنی اپنے مستحکم برانڈز میں مستقل سرمایہ کاری کو جاری رکھے تاکہ ان کے استعمال اور برانڈ ایکوئٹی میں اضافہ کیا جائے۔ بڑھتے ہوئے سیلز اسٹریکچر، اور ای کامرس کی سرگرمیوں کے ساتھ، ہم اپنے اہم تجارتی چینلز اور ڈسپلے کی آسانی میں اضافی گروتھ کے حصول کے لیے منصوبہ بندی کر رہے ہیں تاکہ گذشتہ سال ہونے والی کاروباری ماحول کی چیلنجنگ صورتحال کا بخوبی سامنا کیا جائے۔

گذشتہ سال ہونے والے انضمام کے عمل کے بعد، آپ کی کمپنی اب اپنی ایک علیحدہ مینوفیکچرنگ کی سہولت کو آپریٹ کرتی ہے جہاں سال 2019 کی پہلی ششماہی کے دوران اس کی ای پی پی (انٹرپرائز ریسورس پلاننگ) کے نظام کو SAP میں اپ گریڈ کیا گیا ہے۔ اس کی بدولت ہماری سپلائی چین کے آپریشنز جیسا کہ میٹرل پلاننگ، ہموار پروکیورمنٹ بہتر سپلائی کی درستگی، اور کام چلانے کے لیے سرمایہ کے انتظام کی کارکردگی میں بہتری کی توقع ہے۔

آپ کی کمپنی اپنے کسٹمرز کی بہتر انداز میں خدمت، شیئر ہولڈرز کے لیے قدر میں اضافے، اور مارکیٹ کی اوسط گروتھ میں اضافے کے لیے پرعزم ہے۔ ہم ملک کی سب سے جدید، بہتر کارکردگی کی حامل اور قابل بھروسہ ہیلتھ کیئر کمپنیز میں سے ایک ہونے کے ناطے اس کے حصول کے لیے کوشاں ہیں، تاکہ کنزیومرز اور مریضوں کو زیادہ بہتر زندگی گزارنے، بہتر محسوس کرنے اور زیادہ عرصے تک جینے کا بھرپور موقع فراہم کیا جائے۔

ڈائریکٹرز رپورٹ برائے شیئر ہولڈرز



عزیز شیئر ہولڈرز،

میں آپ کی کمپنی کی غیر آڈٹ شدہ فائنانشل معلومات برائے نصف سال مختتمہ 30 جون 2019 آپ کو پیش کرتے ہوئے خوشی محسوس کر رہا ہوں۔ مالی معلومات کمپنیز ایکٹ 2017 کے سیکشن 237 (b) اور پاکستان اسٹاک ایکسچینج لمیٹڈ کے ریگولیشن 5.19 کے مطابق جمع کروائی جا رہی ہے۔

جیسا کہ اس فائنانشل اسٹیٹمنٹ کے نوٹ 1.3 میں واضح کیا گیا ہے، جی ایس کے، او ٹی سی کا کل بزنس یکم جنوری 2018 سے منتقل کر دیا گیا اور کمپنی میں ضم کر دیا گیا، جس کے نتیجے میں دونوں کمپنیوں کے ضم شدہ نتائج کی عکاسی کے لیے ان فائنانشل اسٹیٹمنٹس میں یکم جنوری 2018 سے 30 جون 2018 تک کے تقابلی نتائج دوبارہ بیان کیے گئے ہیں۔

سرمایہ کاری کے نتیجے میں ہمارے درج بالا اہم شعبہ جات کی قدر میں اضافہ دیکھنے میں آیا، خاص طور پر 2018 میں انضمام کے حوالے سے قانونی فیس پر آنے والے اخراجات کی بدولت انتظامی اخراجات گذشتہ سال کے مقابلے میں کم رہے۔



آپریٹنگ نتائج کا جائزہ

ختم ہونے والے نصف سال کا آپریٹنگ منافع 999 ملین ریکارڈ کیا گیا جو کہ گذشتہ سال کے اسی عرصے کے دوران ہونے والے 15 فیصد منافع سے زیادہ ہے۔ آپریٹنگ کے ذریعے حاصل ہونے والا کیش ان فلو 331 ملین روپے ریکارڈ کیا گیا جو کہ اندرونی مالی ضروریات کو پورا کرنے اور رنگ فائننس فیسلٹی کی ادائیگی کے لیے استعمال کیا گیا۔

آپ کی کمپنی نے 2019 کی پہلی ششماہی کے دوران 609 ملین روپے کا بعد از ٹیکس منافع حاصل کیا جو کہ گذشتہ سال میں اسی عرصے میں حاصل کر دہ منافع سے زیادہ ہے۔ سیلز سے حاصل ہونے والا بعد از ٹیکس منافع 8 فیصد رہا۔ فی شیئر منافع 5.20 روپے رہا۔

کمپنی کے پہلے چھ ماہ کا ٹرن اوور 7,899 ملین ریکارڈ کیا گیا، جو کہ گذشتہ سال کے اسی عرصے کے ٹرن اوور سے 14 فیصد زیادہ ہے۔ اورل ہیلتھ کیئر کے شعبے میں 12.6 فیصد، اسکن ہیلتھ کے شعبے میں 23.2 فیصد، نیوٹریشن اینڈ ڈائجسٹو ہیلتھ کے شعبے میں 17.1 فیصد اور پین (درد) کے شعبے میں 15.6 فیصد اضافے کے ساتھ گذشتہ سال کے مقابلے میں اوور دی کاؤنٹر اور فاسٹ موونگ کنزیومر گڈز، دونوں پورٹ فولیوز میں صحت مند کارکردگی دیکھنے میں آئی۔ کمپنی نے ایکسپورٹ کی مد میں بھی 321 ملین روپے کا منافع حاصل کیا۔

نصف سال کا مجموعی منافع سیلز کے 33 فیصد ریکارڈ کیا گیا۔ اس سال پاکستانی روپے کی قدر میں 14 فیصد کمی دیکھنے میں آئی بالخصوص ماہ جون کے دوران جس کے نتیجے میں سیلز کی قیمت متاثر ہوئی۔ بہر حال، منافع میں کمی کے اثرات کو سال 2019 کے دوران دئیے جانے والے قیمتوں میں اضافے نے زائل کیا، جس کا ایک طویل عرصے سے انتظار کیا جا رہا تھا۔ جس کے نتیجے میں کمپنی کے مجموعی منافع میں پچھلے سال کے مقابلے میں بہتری دیکھنے میں آئی۔



مستقبل کا منظر نامہ اور چیلنجز

توقع ہے کہ قیمتوں میں حاصل ہونے والے حالیہ اضافے کے باعث متوقع چیلنجز کا سامنا کیا جاسکے گا، جو اگلی سہ ماہی کے نتائج پر مثبت طور پر اثر انداز ہوگا۔

فروخت، مارکیٹنگ اور ڈسٹری بیوشن کے اخراجات گذشتہ سال کے مقابلے میں 9.4 فیصد زیادہ، 1,435 ملین ریکارڈ کیے گئے۔

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF GLAXOSMITHKLINE CONSUMER HEALTHCARE PAKISTAN LIMITED

Report on review of Condensed Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of GlaxoSmithKline Consumer Healthcare Pakistan Limited as at June 30, 2019 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 financial statements for the half year then ended (here-in-after referred to as the "condensed interim financial statements"). Management is responsible for the preparation and presentation of this condensed 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.

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 condensed 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

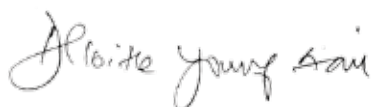
Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Other Matters

As explained in note 1.3 to the condensed interim financial statements, pursuant to merger of GlaxoSmithKline OTC (Private) Limited with and into the Company, corresponding figures of 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 for the half year ended June 30, 2018 have been restated. The restated amounts in these condensed interim financial statements are un-audited and un-reviewed. Our conclusion is not modified in respect of this matter.

The figures for the quarters ended June 30, 2019 and 2018 in the condensed interim profit or loss and other comprehensive income have not been reviewed and we do not express a conclusion on them as we are required to review only the cumulative figures for the half year ended June 30, 2019.

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



Chartered Accountants
Place: Karachi
Date: August 28, 2019

Condensed Interim Statement Of Financial Position

AS AT JUNE 30, 2019

	Note	Un-audited June 30, 2019	Audited December 31, 2018
		Rupees	
Assets			
Non-current assets			
Property, plant and equipment	4	2,676,120,179	2,649,778,094
Intangible		127,674,000	127,674,000
Long-term loans to employees		10,818,873	7,360,796
Long-term deposits		5,610,394	3,390,000
		2,820,223,446	2,788,202,890
Current assets			
Stores and spares		55,120,353	48,000,000
Inventories	5	3,062,730,770	2,231,361,076
Trade debts		790,875,552	754,862,976
Loans and advances		452,414,212	261,832,746
Trade deposits and prepayments		66,190,877	77,485,540
Refunds due from Government		79,596,579	107,339,973
Other receivables		107,531,400	614,158,713
Taxation - payments less provision		512,460,879	363,570,251
Bank balances	6	42,662,436	707,442,531
		5,169,583,058	5,166,053,806
Total assets		7,989,806,504	7,954,256,696
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital		1,170,545,080	1,170,545,080
Reserves		2,687,984,902	2,664,440,057
		3,858,529,982	3,834,985,137
Liabilities			
Non-current liabilities			
Staff retirement benefits		40,808,809	37,635,450
Deferred taxation	7	127,440,949	89,705,256
Lease liability		2,874,023	-
		171,123,781	127,340,706
Current liabilities			
Trade and other payables	8	2,221,976,299	1,956,690,220
Running finance under mark-up arrangement		800,159,015	1,591,779,855
Accrued mark-up		30,514,194	43,612,907
Current portion of lease liability		1,671,928	-
Unpaid dividend		905,831,305	399,847,871
		3,960,152,741	3,991,930,853
Total liabilities		4,131,276,522	4,119,271,559
Total equity and liabilities		7,989,806,504	7,954,256,696
Contingencies and commitments	9		

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.


Director


Chief Financial Officer


Director

Condensed Interim Statement Of

Profit Or Loss And Other Comprehensive Income (Un-Audited)

FOR THE HALF YEAR ENDED JUNE 30, 2019	Note	Half year ended		Quarter ended	
		June 30, 2019	June 30, 2018 (Restated and Un-reviewed)	June 30, 2019	June 30, 2018 (Restated and Un-reviewed)
		Rupees			
Net sales	10	7,898,602,978	6,917,831,552	4,025,731,486	3,289,683,089
Cost of sales		(5,310,615,507)	(4,648,875,533)	(2,511,295,959)	(2,218,697,633)
Gross profit		2,587,987,471	2,268,956,019	1,514,435,527	1,070,985,456
Selling, marketing and distribution expenses	11	(1,435,324,545)	(1,311,577,293)	(738,248,587)	(646,472,063)
Administrative expenses		(113,307,574)	(132,767,049)	(42,176,625)	(59,888,867)
Other operating expenses		(68,553,758)	(61,048,601)	(46,104,558)	(28,765,836)
Other income	12	28,386,893	105,219,166	17,384,724	84,184,078
Operating profit		999,188,487	868,782,242	705,290,481	420,042,768
Financial charges	13	(158,284,910)	(157,544,129)	(120,149,664)	(90,832,857)
Profit before taxation		840,903,577	711,238,113	585,140,817	329,209,911
Taxation		(232,086,192)	(247,780,055)	(143,638,116)	(134,493,145)
Profit after taxation		608,817,385	463,458,058	441,502,701	194,716,766
Other comprehensive income		-	-	-	-
Total comprehensive income		608,817,385	463,458,058	441,502,701	194,716,766
Earnings per share	14	Rs. 5.20	Rs. 3.96	Rs. 3.77	Rs. 1.66

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.


Director


Chief Financial Officer


Director

Condensed Interim Statement Of

Changes In Equity (Un-Audited)

FOR THE HALF YEAR ENDED
JUNE 30, 2019

		Capital Reserves			Revenue Reserve	
	Share capital	Reserve arising under the Scheme of Arrangement	Reserve arising on amalgamation under the Scheme of Merger	Issue of shares - Note 1.3	Unappropriated profit	Total
	Rupees					
Balance as at January 01, 2018	955,501,830	101,913,533	-	-	1,239,417,710	2,296,833,073
Transactions with owners						
Final dividend for the year ended December 31, 2017 @ Rs. 5 per share	-	-	-	-	(477,750,915)	(477,750,915)
Issue of shares pursuant to amalgamation under the Scheme of Merger	-	-	-	215,043,250	-	215,043,250
Reserve arising on amalgamation under the Scheme of Merger	-	-	728,725,969	-	-	728,725,969
	-	-	728,725,969	215,043,250	(477,750,915)	466,018,304
Total comprehensive income for the half year ended June 30, 2018						
Profit after taxation for the half year ended June 30, 2018	-	-	-	-	463,458,058	463,458,058
Other comprehensive income for the half year ended June 30, 2018	-	-	-	-	-	-
	-	-	-	-	463,458,058	463,458,058
Balance as at June 30, 2018 (Restated and Unreviewed)	955,501,830	101,913,533	728,725,969	215,043,250	1,225,124,853	3,226,309,435
Balance as at January 01, 2019	1,170,545,080	101,913,533	728,725,969	-	1,833,800,555	3,834,985,137
Transactions with owners						
Final dividend for the year ended December 31, 2018 @ Rs. 5 per share	-	-	-	-	(585,272,540)	(585,272,540)
Total comprehensive income for the half year ended June 30, 2019						
Profit after taxation for the half year ended June 30, 2019	-	-	-	-	608,817,385	608,817,385
Other comprehensive income for the half year ended June 30, 2019	-	-	-	-	-	-
	-	-	-	-	608,817,385	608,817,385
Balance as at June 30, 2019	1,170,545,080	101,913,533	728,725,969	-	1,857,345,400	3,858,529,982

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.


Director


Chief Financial Officer


Director

Condensed Interim Statement Of

Cash Flows (Un-Audited)

**FOR THE HALF YEAR ENDED
JUNE 30, 2019**

**June 30,
2019**

**June 30, 2018
(Restated and
Un-reviewed)**

Note

Rupees

CASH FLOWS FROM OPERATING ACTIVITIES

Cash generated from operations	15	790,612,415	315,355,390
Staff retirement benefits paid		(30,977,193)	(26,465,287)
Interest paid		(80,139,628)	(68,872,482)
Income taxes paid		(343,241,127)	(412,005,682)
Increase in long-term loans to employees		(3,458,077)	(1,168,187)
Increase in long term-deposits		(2,220,394)	-

Net cash generated from / (used in) operating activities

330,575,996

(193,156,248)

CASH FLOWS FROM INVESTING ACTIVITIES

Fixed capital expenditure	(136,288,900)	(168,004,012)
Proceeds from sale of operating assets	8,123,734	4,413,007
Interest received	4,837,062	54,950,226

Net cash used in investing activities

(123,328,104)

(108,640,779)

CASH FLOWS FROM FINANCING ACTIVITIES

Dividend paid to shareholders	(79,289,106)	(75,269,853)
Lease rental paid	(1,118,041)	-

Net cash used in financing activities

(80,407,147)

(75,269,853)

Net increase / (decrease) in cash and cash equivalents

126,840,745

(377,066,880)

Cash and cash equivalents at beginning of the period

16

(884,337,324)

1,301,554,423

Net cash and cash equivalents transferred from GSK OTC

-

(1,458,822,362)

Cash and cash equivalents at end of the period

16

(757,496,579)

(534,334,819)

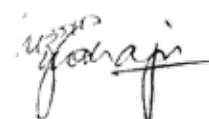
The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.



Director



Chief Financial Officer



Director

NOTES TO THE CONDENSED INTERIM

Financial statements (Un-Audited)

FOR THE HALF YEAR ENDED JUNE 30, 2019

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 (now the Companies Act, 2017) 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 Scheme) which was approved by the Honourable High Court of Sindh (SHC) and its order was submitted to the Registrar of Companies on April 01, 2016. The Company is a subsidiary of GlaxoSmithKline Consumer Healthcare B.V. The ultimate parent of the Company is GlaxoSmithKline plc, UK. The Company is engaged in manufacturing, marketing and sale of consumer healthcare products. The Company has been listed at the Pakistan Stock Exchange Limited since March 22, 2017. The registered office of the Company is situated at 35-Dockyard Road, West Wharf, Karachi.

1.2 Due to the pending transfer of marketing authorisations and certain permissions for 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.

1.3 Merger of GlaxoSmithKline OTC (Private) Limited with and into the Company

The Board of Directors (the Board) of the Company in its meeting held on June 05, 2018, approved the scheme of arrangement for merger by way of amalgamation (the Scheme of Merger), prepared under the provisions of section 279 to 283 of the Companies Act, 2017, of GlaxoSmithKline OTC (Private) Limited (GSK OTC), a wholly owned subsidiary of GlaxoSmithKline Consumer Healthcare B.V., with and into the Company. The Scheme of Merger was approved through a special resolution passed by shareholders in the extra-ordinary general meeting of the Company held on October 19, 2018. The Scheme of Merger was sanctioned by SHC vide its order dated December 12, 2018. Drug Regulatory Authority of Pakistan (DRAP) vide its letter no. F.2-4/88-Lic (Vol-IV) dated March 07, 2019 has also communicated to the Company that the Central Licensing Board in its 269th meeting held on February 26, 2019 has considered and endorsed the change of title of GlaxoSmithKline OTC (Private) Limited to GlaxoSmithKline Consumer Healthcare Pakistan Limited.

Pursuant to this sanction, the entire business of GSK OTC including its properties, assets, liabilities, licenses and the rights and obligations have been transferred and vested into the Company with effect from the effective date, as mentioned in the Scheme of Merger, i.e., January 01, 2018. Hence, GSK OTC stood merged with and into the Company with effect from January 01, 2018. Further, as per the Scheme of Merger, the Company also issued 21,504,325 fully paid ordinary shares of Rs. 10 each to the shareholders of GSK OTC having aggregate face value of Rs. 215.04 million. These shares rank pari passu with the existing shares of the Company. The Company had obtained the services of consultants and decided on share swap ratio of 2.1:10 shares (i.e., 2.1 shares of the Company were issued for every 10 shares of GSK OTC). The valuations of the Company and GSK OTC were carried out under discounted cash flow method and market value approach based on earning multiples at cut-off date of December 31, 2017, and share swap ratio was calculated based on average of values arrived at under both the valuation techniques.

The merger has been accounted for in the books of the Company using predecessor's accounting method as it was a business combination of entities under common control and therefore scoped out of IFRS-3 'Business Combinations'. The net assets of GSK OTC have been incorporated at their net carrying amount in the books of the Company as on January 01, 2018 and the difference between value of the net assets acquired and shares as issued above has been carried in the equity under the head "Reserve arising on amalgamation under the Scheme of Merger. Further, the merged entities' results and statement of financial position have been incorporated prospectively from the date on which the merger occurred. Consequently, the comparative results in these condensed interim financial information have been restated from January 01, 2018 to June 30, 2018.

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) and Islamic Financial Accounting Standard (IFASs) issued by the Institute of Chartered Accountants of Pakistan (ICAP), 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 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, 2018.

2.2 These condensed interim financial statements are unaudited. However, a limited scope review of these condensed interim financial statements have been performed by the external auditors of the Company in accordance with the requirements of Rule Book of Pakistan Stock Exchange Limited and they have issued their review report thereon. These condensed interim financial statements are submitted to the shareholders as required by section 237 of the Companies Act, 2017.

2.3 As disclosed in note 1.3, corresponding figures of 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 have been restated, wherever necessary to facilitate the comparison and to conform with changes and presentation in the current period due to the merger of GlaxoSmithKline OTC (Private) Limited with and into the Company. The restated amounts in these condensed interim financial statements are un-audited and un-reviewed.

2.4 Standards, interpretations and amendments to published approved accounting standards that became effective during the period

Certain amendments and interpretations became effective that are mandatory for accounting periods beginning on or after January 01, 2019. However, these are not relevant for the Company's condensed interim financial statements except for the following new standard which has not materially impacted the financial reporting of the Company:

IFRS 16 - Leases

The Company has adopted IFRS 16 by applying the modified retrospective approach according to which the Company is not required to restate the prior year results.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating lease' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 01, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 01, 2019 was 12.41%. Subsequently, lease payments made are allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at December 31, 2018. Subsequently, the right of use assets is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Accordingly, the Company has recognised lease liability and right-of-use assets amounting to Rs. 5.33 million each as on January 01, 2019.

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, 2018 except for the change in accounting policy as stated in note 2.4 above.

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, 2018, 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.

3.2 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, 2018.

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, 2018, except as follows:

During the current period, the Company in line with the group instructions has implemented the new enterprise resource planning system and accordingly has changed the method for deferral of variances between standard cost and actual cost of inventories at the level of statement of financial position. The deferral of variances is based on average inventory turnover for each production site of the Company. Had the change in method for deferral of variances been made in the comparative period, profit before tax for the period ended June 30, 2018 would have been higher by Rs. 111.53 million.

	Note	Un-audited June 30, 2019	Audited December 31, 2018
		Rupees	
4. PROPERTY, PLANT AND EQUIPMENT			
Operating assets	4.1	2,219,719,048	2,098,217,111
Capital work-in-progress		451,956,904	551,560,983
Right-of-use assets - building and improvements on leasehold lands		4,444,227	-
		<u>2,676,120,179</u>	<u>2,649,778,094</u>

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

	Half year ended June 30, 2019		Half year ended June 30, 2018 (Restated)	
	Un-audited		Un-audited and un-reviewed	
	Additions (at cost)	Disposals (at net book value)	Additions (at cost)	Disposals (at net book value)
	Rupees		Rupees	
Operating assets				
Building and improvements on leasehold land	34,155,325	-	-	-
Plant & machinery	135,799,301	-	-	-
Furniture & fixtures	4,237,594	-	12,645,545	-
Vehicle	28,667,500	4,123,897	37,711,438	2,801,639
Office equipments	33,033,259	-	891,630	-
	<u>235,892,979</u>	<u>4,123,897</u>	<u>51,248,613</u>	<u>2,801,639</u>

	Note	Un-audited June 30, 2019	Rupees	Audited December 31, 2018
5. INVENTORIES				
Raw and packing materials		1,456,953,789		931,347,660
Work-in-process		-		18,643,062
Finished goods		1,665,613,817		1,366,678,049
		3,122,567,606		2,316,668,771
Less: provision for slow moving, obsolete and damaged stock	5.1	(59,836,836)		(85,307,695)
		3,062,730,770		2,231,361,076

5.1 During the period, inventories of Rs. 6.69 million (December 31, 2018: Rs. 51.34 million) have been written off against provision.

5.2 Stock-in-trade includes items costing Rs. 84.41 million (December 31, 2018: Rs. 72.6 million) valued at net realisable value of Rs. 76.41 million (December 31, 2018: Rs. 62.7 million).

6. BANK BALANCES

	Un-audited June 30, 2019	Rupees	Audited December 31, 2018
With banks			
on deposit accounts	-		400,000,000
on PLS savings accounts	24,445,649		270,103,653
on current accounts	18,216,787		37,338,878
	42,662,436		707,442,531

7. DEFERRED TAXATION

Deferred tax liability on taxable temporary differences

Accelerated tax depreciation allowances	159,122,034	122,848,358
Right-of-use assets	1,264,127	-

Deferred tax asset on deductible temporary differences

Allowance for impairment of trade debts	(2,691,676)	(824,753)
Provision for slow moving, obsolete and damaged stock	(17,352,682)	(21,926,669)
Staff retirement benefits	(11,607,793)	(10,391,680)
Lease liability	(1,293,061)	-
	(32,945,212)	(33,143,102)
	127,440,949	89,705,256

8. TRADE AND OTHER PAYABLES

Creditors and bills payable
Accrued liabilities
Others

	Un-audited June 30, 2019	Rupees	Audited December 31, 2018
	801,940,992		770,644,937
	1,105,773,146		953,560,759
	314,262,161		232,484,524
	2,221,976,299		1,956,690,220

9. CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

(a) Income tax

As a result of monitoring proceedings of withholding taxes for Financial Year 2016 [Tax Year 2017], Assistant Commissioner Inland Revenue has issued Order under section 161 / 205 of the Income Tax Ordinance, 2001 (Ordinance) dated 30 April 2019 and raised the demand of Rs. 15,044,304 on account of non-withholding of tax on certain expenses including meeting and symposia under section 156 of the Ordinance. The Company filed an appeal against the said order before Commissioner Inland Revenue (Appeals) which is pending for hearing

The management is confident that the ultimate decision in the above case will be in favour of the Company, hence, no provision has been made in respect of the aforementioned tax demand in these condensed interim financial statements.

(b) Sales tax

The Assistant Commissioner Inland Revenue passed the order dated 04 July, 2019 demanding sales tax of Rs. 5,759,946 relating to inadmissibility of input tax in tax periods from July 2018 to December 2018. The Company has filed an appeal against the said order before the Commissioner Inland Revenue (Appeals) which is due for hearing.

The management is confident that the ultimate decision in the above case will be in favour of the Company, hence, no provision has been made in respect of the aforementioned tax demand in these condensed interim financial statements.

9.2 Commitments

9.2.1 The facilities for opening letters of credit and guarantees as at June 30, 2019, amounted to Rs. 1,288 million (December 31, 2018: Rs. 1,168 million) and Rs. 110 million (December 31, 2018: Rs. 110 million) respectively of which the amount remaining unutilised at period end was Rs. 1,027 million (December 31, 2018: Rs. 903 million) and Rs. 94.42 million (December 31, 2018: Rs. 109 million) respectively.

9.2.2 Commitments for capital expenditure outstanding as at June 30, 2019, amount to Rs. 114.88 million (December 31, 2018: Rs. 180.15 million).

9.2.3 As at June 30, 2019, commitments for rentals under ijarah arrangements amounted to Rs. 12.91 million (December 31, 2018: Rs. 14.27 million) payable as follows:

	Un-audited June 30, 2019	Rupees	Audited December 31, 2018
Not later than 1 year	2,255,388		8,186,967
Later than 1 year but not later than 5 years	10,651,992		6,081,967
	12,907,380		14,268,934

10. NET SALES

10.1 This includes sales amounting to Rs. 3.24 billion (June 30, 2018: Rs. 2.97 billion) made by GSK Pakistan on behalf of the Company (refer note 1.2).

11. SELLING, MARKETING AND DISTRIBUTION EXPENSES

This includes advertising and sales promotion expenses of Rs. 964.83 million (June 30, 2018: Rs. 923.72 million).

12. OTHER INCOME

Income from financial assets

	Half year ended - Unaudited		Quarter ended - Unaudited	
	June 30, 2019	June 30, 2018 (Restated and Un-reviewed)	June 30, 2019	June 30, 2018 (Restated and Un-reviewed)
	Rupees		Rupees	
Interest income on investments	4,837,062	34,106,499	-	15,452,268

Income from non-financial assets

Gain on disposal of operating assets	3,999,837	1,611,368	3,452,774	982,758
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Others

Insurance claim recovery	-	60,585,663	-	60,564,207
Others	19,549,994	8,915,636	13,931,950	7,184,845

	28,386,893	105,219,166	17,384,724	84,184,078
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13. FINANCIAL CHARGES

Interest on running finance	62,789,981	112,578,806	30,415,563	64,729,683
Exchange loss - net	90,913,077	44,708,105	85,317,708	25,847,956
Bank charges	4,581,852	257,218	4,416,393	255,218

	158,284,910	157,544,129	120,149,664	90,832,857
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14. EARNINGS PER SHARE

Profit after taxation	608,817,385	463,458,058	441,502,701	194,716,766
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Weighted average number of shares outstanding during the period	117,054,508	117,054,508*	117,054,508	117,054,508*
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Earnings per share - basic	5.20	3.96	3.77	1.66
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* This includes 21,504,325 number of shares issued on approval of the Scheme of merger as stated in note 1.3.

14.1 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.

	Un-audited June 30, 2019	Rupees	Un-audited June 30, 2018 (Restated and Un-reviewed)
15. CASH GENERATED FROM OPERATIONS			
Profit before taxation	840,903,577		711,238,113
Add / (less): Adjustments for non-cash charges and other items			
Depreciation	111,155,992		102,090,659
Interest expense	67,371,833		112,836,024
Gain on disposal of operating assets	(3,999,837)		(1,611,368)
Provision for slow moving, obsolete and damaged stock - net of stock written off	48,268,151		11,472,098
Allowance for impairment of trade debts	6,246,254		23,302
Provision for staff retirement benefits	32,249,796		28,915,603
Interest income	(4,837,062)		(34,106,499)
Profit before working capital changes	<u>1,097,358,704</u>		<u>930,857,932</u>

Effect on cash flow due to working capital changes

Decrease / (increase) in current assets			
Stores and spares	(7,120,353)		(1,900,058)
Inventories	(879,637,845)		(898,204,152)
Trade debts	(42,258,830)		(81,670,252)
Loans and advances	(190,581,466)		(3,399,975)
Trade deposits and prepayments	11,294,663		(169,346,514)
Refunds due from Government	27,743,394		28,138,739
Other receivables	506,627,313		23,727,649
	<u>(573,933,124)</u>		<u>(1,102,654,563)</u>
Increase in current liabilities			
Trade and other payables	267,186,835		487,152,021
	<u>(306,746,289)</u>		<u>(615,502,542)</u>
	<u>790,612,415</u>		<u>315,355,390</u>

	Note	Un-audited June 30, 2019	Audited December 31, 2018	Un-audited June 30, 2018 (Restated and Un-reviewed)
16. CASH AND CASH EQUIVALENTS				
Bank balances	6	42,662,436	707,442,531	1,013,343,976
Investment at amortised cost		-	-	149,189,029
Running finance under mark-up arrangement		(800,159,015)	(1,591,779,855)	(1,696,867,824)
		<u>(757,496,579)</u>	<u>(884,337,324)</u>	<u>(534,334,819)</u>

17. TRANSACTIONS WITH RELATED PARTIES

The related parties include holding company, associated companies, directors of the company, companies where directors also hold directorship 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 condensed interim financial statements, are as follows:

Un-audited
June 30,
2019

Un-audited
June 30, 2018
(Restated and
Un-reviewed)

Rupees

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

Relationship	Nature of transactions		
Holding Company	Dividend	502,116,295	394,594,670
Associated companies:	a. Purchase of goods and services	3,587,742,310	3,441,184,745
	b. Expenses cross charged by GlaxoSmithKline Pakistan Limited	45,798,594	58,849,210
	c. Services fee charged by GlaxoSmithKline Pakistan Limited	6,000,000	6,000,000
Staff retirement funds:	a. Expense charged for retirement benefit plans	32,249,796	28,915,603
	b. Payments to retirement benefit plans	29,924,425	25,703,381
Key management personnel:	a. Salaries and other employee benefits	92,385,090	59,906,111
	b. Post employment benefits	7,731,694	4,091,224

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

		Un-audited June 30, 2019	Audited December 31, 2018
Holding Company	Dividend	896,710,965	394,594,670
Associated companies:	a. Other receivables	592,556	519,026,698
	b. Trade and other payables	363,990,742	510,644,388
	c. Staff retirement benefits (Payable)	40,808,809	37,635,450

18. 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. 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 condensed interim statement of financial position approximate their fair values.

19. 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 August 27, 2019.


Director


Chief Financial Officer


Director