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THE BLUE DOT

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

THIRD QUARTER 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. Mehar-e-Daraksha

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

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

CDC Share Registrar
Services 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 statements for the nine months ended September 30, 2019, 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 September 30, 2018 to reflect the merged results of both companies.



Review of Operating Results

Net turnover of the company for the first nine months was recorded at Rs. 11,812 million, being 9% higher than the corresponding period last year, despite the continuing challenges on the Respiratory Health category that declined by 28% due to diminishing consumption of controlled-substance products. Furthermore, the revenue earned by the Company on toll manufacturing of products acquired from Novartis also declined by 23% due to reduced demand, as well as bilateral supply restrictions during the quarter.

The rest of the core business witnessed a healthy performance in both Over the Counter (OTC) and Fast-Moving Consumer Goods (FMCG) portfolios, with a 19% increase in the Oral Healthcare category, 18% increase in the Skin Health category, 13% increase in the Nutrition and Digestive Health category and 16% 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 nine months have been maintained at 32% of sales, despite the nearly 25% devaluation of the

Pakistani Rupee since the beginning of the year. The potential decline in margins was averted through the implementation of the much-awaited price increases that have been granted during the first and third quarters of this year. Consequently, the Company has been able to sustain its gross margins at the level of last year.

Selling, marketing, distribution, and administrative expenses were recorded at Rs. 2,324 million, an 8% increase as compared to last year, mainly due to inflation which has gone up to around 13%. This investment resulted in growth in value across our key categories as outlined above.

Profit before tax for the nine months ended was recorded at Rs. 1,239 million which is 5% higher than the corresponding period last year.

Cash inflows from operations were recorded at Rs. 860 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. 888 million, which is higher than the corresponding period last year. The profit after tax is recorded at 7.5% of net sales. Earnings per share are Rs. 7.59, also improved against last year.



Future Outlook and Challenges

The country has experienced some unprecedented devaluation during the recent quarter where the Pakistani Rupee reached an all-time low (Rupees 163 to the USD), leading to a rising consumer price index and a tightening monetary policy with rising borrowing rates. These economic indicators continue to pose challenges in maintaining our internal production costs and external financing costs. At the same time, the Company remains conscious of the consumers' purchasing power while taking pricing decisions to maintain a viable business model.

To meet the current challenges, your Company remains agile and proactively engaged in supply chain optimization initiatives as well as strengthening our pipeline of high-quality innovations. During the month of October, we are driving significant category expansion through two major launches: 'Panadol CF Day' and 'Sensodyne Herbal'. Through such initiatives, your Company is maintaining its 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 sustain long-term profitability and fulfil the dynamic needs of our consumers and healthcare professionals.

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.



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.



Composition of the Board

- The total number of directors are 7 as per the following:
a) Male: 5 b) Female: 2
- The Board's composition and the details of its committees are provided on Page 1.



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
October 25, 2019

Talal Javed Ahmed
Director



بورڈ کی درجہ بندی

بورڈ میں کل 7 ممبران موجود ہیں جس میں سے 5 مرد اور 2 خواتین ہیں۔
بورڈ کے ممبران اور ان کی ریلی کمیٹیوں کی تفصیلات صفحہ نمبر 1 پر موجود ہیں۔



اعتراف

بورڈ آف ڈائریکٹرز 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

طلال جاوید احمد

(Signature)

ڈائریکٹر

(Signature)

چیف ایگزیکٹو آفیسر

25 اکتوبر 2019



مستقبل کا خاکہ اور چیلنجز

حالانہ کہ ماہی کے دوران ملک روپے کی قدر میں بے حد کمی کے تجربے
سے گزرا ، جہاں پاکستانی روپے کی قدر تاریخ کی کم ترین سطح (163
روپے فی ڈالر) پر آگئی ، جس کے نتیجے میں کنزیومر پرائس انڈیکس میں
اضافہ ہوا اور قرضے کی شرح میں اضافہ کے بدولت سخت مالیاتی پالیسی
کا سامنا کرنا پڑا ۔ ان معاشی اشاریوں کی بدولت ہ میں اپنی داخلی
پیداواری لاگت اور بیرونی فائنانسنگ لاگت کو برقرار رکھنے میں چیلنجز
کا سامنا کرنا پڑا ۔ اس کے ساتھ ساتھ ، ایک قابل عمل بزنس ماڈل کو
برقرار رکھنے کے لیے قیمتوں کے تعین کا فیصلہ کرتے ہوئے کمپنی
صارفین کی قوت خرید سے پوری طرح آگاہ رہی ۔

ایسے وقتوں میں ، آپ کی کمپنی سبک رفتار ، اور انتہائی فعال طور پر
سپلائی چین کی اصلاح سے متعلق اقدامات اور اپنی اعلیٰ معیار کی حامل
جذباتوں کے سلسلے کو مزید مستحکم کرنے میں مصروف عمل رہتی ہے ۔
ماہ اکتوبر میں ، ہم اپنے شعبہ جات کو دو اہم لانچز ”پیناڈول سی ایف
ڈے ” اور ” سینسوڈائن ہربل ” کے ساتھ مزید وسعت دے رہے ہیں ۔ اس
طرح کے اقدامات کے ذریعے ، آپ کی کمپنی کسٹمر کی قدر ، جدت ، بہتر
کارکردگی اور زیادہ بھروسے پر اپنی توجہ مرکوز کر رہی ہے ۔ طویل مدتی
منفعت اور اپنے کسٹمرز اور ہیلتھ کیئر پروفیشنلز کی روز بروز بدلتی
ضروریات کو پورا کرنے کے لیے ہمارا زور پراڈکٹوٹی میں اضافے ، لاگت میں
کمی اور بہتر ٹیکنالوجی پر ہے ۔

بہترین گروتھ کے اپنے طویل مدتی عزائم کی تکمیل کے لیے ، ضروری ہے
کہ کمپنی اپنے مستحکم برانڈز کی کھپت میں اضافے اور برانڈ ایکوئیٹی پر
، پہلے سے بہتر سیلز اسٹرکچر اور ای کامرس سرگرمیوں کے ذریعے ،
سرمایہ کاری جاری رکھے ۔ ہم اس مسابقتی کاروباری ماحول میں اہم ٹریڈ
چینلز اور ڈسپلے ایجلیٹی میں قابل ذکر گروتھ کے لیے پرعزم ہیں



مشاہرہ کی پالیسی

گلیگکسو اسمتھ کلن کنزیومر ہیلتھ کیئر پاکستان لمیٹڈ کے نان ایگزیکٹو
بورڈ آف ڈائریکٹرز ، کنزیومر ہیلتھ کیئر انڈسٹری اور اسی نوعیت
کے دیگر کاروبار کے مارکیٹ کے معیار کے حساب سے ایچ آر اور
ریمیونیشن کمیٹی کی طرف سے منظور کردہ اعزازیے کے حقدار ہیں ۔

ڈائریکٹرز رپورٹ برائے شیئر ہولڈرز



عزیز شیئر ہولڈرز،

میں آپ کی کمپنی کی غیر آڈٹ شدہ فائنانشل معلومات برائے 9 ماہ مختتمہ 30 ستمبر 2019 آپ کو پیش کرتے ہوئے خوشی محسوس کر رہا ہوں۔ یہ 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 میں ان فائنانشل اسٹیٹمنٹس میں یکم جنوری 2018 سے 30 ستمبر 2018 تک کے تقابلی نتائج دوبارہ بیان کیے گئے ہیں۔



آپریٹنگ نتائج کا جائزہ

گزشتہ سال کے مقابلے میں پاکستانی روپے کی قدر میں 25 فیصد کمی کے باوجود، نو ماہ کے عرصے کا کل منافع سیلز کے 32 فیصد پر برقرار رہا۔ منافع میں ہونے والی ممکنہ کمی کا خدشہ، پہلی اور تیسری سہ ماہی میں دیے جانے والے قیمتوں میں اضافے، جس کا ایک عرصے سے انتظار تھا، کی بناء پر ٹل گیا، جس کے نتیجے میں کمپنی گزشتہ سال کے مقابلے میں اپنے کل منافع کو برقرار رکھنے کے قابل ہوئی۔

گزشتہ سال کے مقابلے میں، فروخت، مارکیٹنگ، ڈسٹری بیوشن اور انتظامی اخراجات 8 فیصد اضافے کے ساتھ 2,324 ملین روپے ریکارڈ کیے گئے۔ اس سرمایہ کاری کے نتیجے میں، جیسا کہ اوپر بیان کیا گیا ہے، ہمارے تمام اہم شعبہ جات کی قدر میں اضافہ ہوا۔

ختم ہونے والے نو ماہ کے دوران قبل از ٹیکس منافع 1,239 ملین روپے ریکارڈ کیا گیا، جو کہ گزشتہ سال میں اسی عرصے کے مقابلے میں 5 فیصد زیادہ ہے۔

آپریٹنگ سے ہونے والا کیش ان فلو 860 ملین روپے ریکارڈ کیا گیا جو اندرونی فائنانشنگ ضروریات کو پورا کرنے اور رنگ فائنانش کی سہولت کی ادائیگی کے لیے استعمال کیا گیا۔ آپ کی کمپنی نے 888 ملین روپے کا بعد از ٹیکس کل منافع حاصل کیا، جو گزشتہ سال میں اسی عرصے کے منافع سے زیادہ ہے۔ سیلز کا بعد از ٹیکس منافع 7.5 فیصد ریکارڈ کیا گیا۔ فی شیئر منافع، گزشتہ سال کے مقابلے بہتری کے ساتھ 7.59 روپے رہا۔

ویسپائٹری بیلٹھ کے شعبے، جس میں کنٹرولڈ سبسٹنس پراڈکٹس کی کم ہوئی کھپت کی بناء پر 28 فیصد کمی واقع ہوئی ہے، میں درپیش مسلسل چیلنجز باوجود، کمپنی کے پہلے 9 ماہ کا ٹرن اوور 11,812 ملین ریکارڈ کیا گیا، جو کہ گزشتہ سال کے اسی عرصے کے ٹرن اوور سے 9 فیصد زیادہ ہے۔ مزید یہ کہ نواورٹس کی پراڈکٹس کی ٹول مینوفیکچرنگ کے ذریعے کمپنی کو حاصل ہونے والے منافع میں بھی 23 فیصد کمی واقع ہوئی جس کی وجہ طلب میں کمی اور سہ ماہی کے دوران رسد پر دوطرفہ پابندیاں ہیں۔

باقی ماندہ تمام تر بزنس میں اوور دی کاونٹر اور فاسٹ موونگ کنزیومر گڈز دونو پورٹ فولیوز میں صحت مند سرگرمی دیکھنے میں آئی، اور گزشتہ سال میں اسی عرصے کے مقابلے میں اورل بیلٹھ کیئر کے شعبے میں 19 فیصد، اسکن بیلٹھ کے شعبے میں 18 فیصد، نیوٹریشن اینڈ ڈاء جیسٹو بیلٹھ کے شعبے میں 13 فیصد، اور پین کے شعبے میں 16 فیصد اضافہ دیکھنے میں آیا۔ کمپنی نے 321 ملین کی آمدنی ایکسپورٹ کی مد میں بھی حاصل کی۔

Condensed Interim Statement Of Financial Position

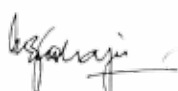
AS AT SEPTEMBER 30, 2019

	Note	Un-audited September 30, 2019	Audited December 31, 2018
		Rupees	
Assets			
Non-current assets			
Property, plant and equipment	4	2,770,261,260	2,649,778,094
Intangible		127,674,000	127,674,000
Long-term loans to employees		14,174,079	7,360,796
Long-term deposits		5,610,394	3,390,000
		2,917,719,733	2,788,202,890
Current assets			
Stores and spares		52,660,093	48,000,000
Inventories	5	2,601,709,109	2,231,361,076
Trade debts		745,721,764	754,862,976
Loans and advances		385,000,388	261,832,746
Trade deposits and prepayments		56,801,056	77,485,540
Refunds due from Government		27,871,056	107,339,973
Other receivables		557,057,204	614,158,713
Taxation - payments less provision		473,164,972	363,570,251
Bank balances	6	325,352,127	707,442,531
		5,225,337,769	5,166,053,806
Total assets		8,143,057,502	7,954,256,696
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital		1,170,545,080	1,170,545,080
Reserves		2,967,509,736	2,664,440,057
		4,138,054,816	3,834,985,137
Liabilities			
Non-current liabilities			
Staff retirement benefits		41,545,025	37,635,450
Deferred taxation		141,746,880	89,705,256
Lease liability		2,431,621	-
		185,723,526	127,340,706
Current liabilities			
Trade and other payables	7	2,212,089,886	1,956,690,220
Running finance under mark-up arrangement		678,042,415	1,591,779,855
Accrued mark-up		23,092,463	43,612,907
Current portion of lease liability		1,161,749	-
Unpaid dividend		904,892,647	399,847,871
		3,819,279,160	3,991,930,853
Total liabilities		4,005,002,686	4,119,271,559
Total equity and liabilities		8,143,057,502	7,954,256,696
Commitments	8		

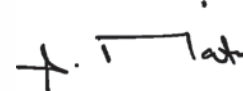
The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.



Chief Financial Officer



Director



Chief Executive Officer

Condensed Interim Statement Of

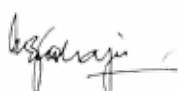
Profit Or Loss And Other Comprehensive Income (Un-Audited)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019	Note	Nine months ended		Quarter ended	
		September 30, 2019	September 30, 2018 (Restated)	September 30, 2019	September 30, 2018 (Restated)
		Rupees			
Net sales	9	11,812,260,072	10,856,290,137	3,913,657,094	3,938,458,585
Cost of sales		(8,026,525,766)	(7,342,466,967)	(2,715,910,259)	(2,693,591,434)
Gross profit		3,785,734,306	3,513,823,170	1,197,746,835	1,244,867,151
Selling, marketing and distribution expenses	10	(2,138,610,379)	(1,930,640,388)	(703,285,834)	(619,063,095)
Administrative expenses		(185,675,547)	(215,548,177)	(72,367,973)	(82,781,128)
Other operating expenses		(101,571,312)	(99,365,233)	(33,017,554)	(38,316,632)
Other income		41,895,328	123,499,398	13,508,435	18,280,232
Operating profit		1,401,772,396	1,391,768,770	402,583,909	522,986,528
Financial charges		(163,252,105)	(207,572,857)	(4,967,195)	(50,028,728)
Profit before taxation		1,238,520,291	1,184,195,913	397,616,714	472,957,800
Taxation		(350,178,072)	(338,243,495)	(118,091,880)	(90,463,440)
Profit after taxation		888,342,219	845,952,418	279,524,834	382,494,360
Other comprehensive income		-	-	-	-
Total comprehensive income		888,342,219	845,952,418	279,524,834	382,494,360
Earnings per share	11	Rs. 7.59	Rs. 7.23	Rs. 2.39	Rs. 3.27

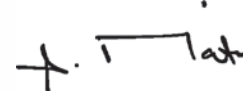
The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.



Chief Financial Officer



Director



Chief Executive Officer

**FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2019**

The annexed notes 1 to 16 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)

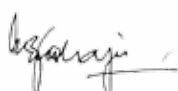
**FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2019**

	Note	September 30, 2019	September 30, 2018 (Restated)
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	12	1,433,382,003	301,611,371
Staff retirement benefits paid		(46,232,744)	(36,476,063)
Interest paid		(110,653,833)	(101,446,527)
Income taxes paid		(407,731,169)	(541,329,632)
Increase in long-term loans to employees		(6,813,283)	(885,535)
Increase in long term-deposits		(2,220,394)	-
Net cash generated from / (used in) operating activities		859,730,580	(378,526,386)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(287,213,074)	(182,311,211)
Proceeds from sale of operating assets		10,281,860	8,249,779
Interest received		31,311,513	69,497,060
Net cash used in investing activities		(245,619,701)	(104,564,372)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid to shareholders		(80,227,764)	(76,171,881)
Lease rental paid		(2,236,079)	-
Net cash used in financing activities		(82,463,843)	(76,171,881)
Net increase / (decrease) in cash and cash equivalents		531,647,036	(559,262,639)
Cash and cash equivalents at beginning of the period	13	(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	13	(352,690,288)	(716,530,578)

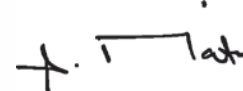
The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.



Chief Financial Officer



Director



Chief Executive Officer

NOTES TO THE CONDENSED INTERIM

Financial statements (Un-Audited)

FOR THE NINE MONTHS ENDED SEPTEMBER 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 1, 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 September 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 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.

2.3 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 2.3 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.

	Note	Un-audited September 30, 2019	Audited December 31, 2018
		Rupees	
4. PROPERTY, PLANT AND EQUIPMENT			
Operating assets	4.1	2,179,923,163	2,098,217,111
Capital work-in-progress		586,338,293	551,560,983
Right-of-use assets - building and improvements on leasehold lands		3,999,804	-
		<u>2,770,261,260</u>	<u>2,649,778,094</u>

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

	Nine months ended September 30, 2019		Nine months ended September 30, 2018 (Restated)	
	Un-audited		Un-audited	
	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	-	1,694,696	-
Vehicle	44,606,500	5,505,577	61,685,438	5,609,620
Office equipments	36,790,312	-	11,842,479	-
	<u>255,589,032</u>	<u>5,505,577</u>	<u>75,222,613</u>	<u>5,609,620</u>

	Un-audited September 30, 2019	Audited December 31, 2018
	Rupees	
5. INVENTORIES		
Raw and packing materials	1,124,272,330	931,347,660
Work-in-process	168,078,139	18,643,062
Finished goods	1,355,368,125	1,366,678,049
	<u>2,647,718,594</u>	<u>2,316,668,771</u>
Less: provision for slow moving, obsolete and damaged stock	(46,009,485)	(85,307,695)
	<u>2,601,709,109</u>	<u>2,231,361,076</u>

6. BANK BALANCES

With banks		
on deposit accounts	-	400,000,000
on PLS savings accounts	294,824,237	270,103,653
on current accounts	30,527,890	37,338,878
	<u>325,352,127</u>	<u>707,442,531</u>

7. TRADE AND OTHER PAYABLES

Creditors and bills payable	686,653,201	770,644,937
Accrued liabilities	1,162,441,405	953,560,759
Others	362,995,280	232,484,524
	<u>2,212,089,886</u>	<u>1,956,690,220</u>

8. COMMITMENTS

8.1 Commitments for capital expenditure outstanding as at September 30, 2019, amount to Rs. 211.89 million (December 31, 2018: Rs. 180.15 million).

9. NET SALES

9.1 This includes sales amounting to Rs. 4.94 billion (September 30, 2018: Rs. 4.39 billion) made by GSK Pakistan on behalf of the Company (refer note 1.2).

10. SELLING, MARKETING AND DISTRIBUTION EXPENSES

This includes advertising and sales promotion expenses of Rs. 1,412.67 million (September 30, 2018: Rs. 1,357.23 million).

	Nine months ended - Unaudited		Quarter ended - Unaudited	
	September 30, 2019	September 30, 2018 (Restated)	September 30, 2019	September 30, 2018 (Restated)
	Rupees		Rupees	
11. EARNINGS PER SHARE				
Profit after taxation	<u>888,342,219</u>	<u>845,952,418</u>	<u>279,524,834</u>	<u>382,494,360</u>
Weighted average number of shares outstanding during the period	<u>117,054,508</u>	<u>117,054,508*</u>	<u>117,054,508</u>	<u>117,054,508*</u>
Earnings per share - basic	<u>7.59</u>	<u>7.23</u>	<u>2.39</u>	<u>3.27</u>

* This includes 21,504,325 number of shares issued on approval of the Scheme of merger as stated in note 1.3.

11.1 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 September 30, 2019	Rupees	Un-audited September 30, 2018 (Restated)
12. CASH GENERATED FROM OPERATIONS			
Profit before taxation	1,238,520,291		1,184,195,913
Add / (less): Adjustments for non-cash charges and other items			
Depreciation	166,557,404		124,062,319
Interest expense	90,629,765		161,042,276
Gain on disposal of operating assets	(4,776,283)		(2,640,159)
Provision for slow moving, obsolete and damaged stock - net of stock written off	33,943,881		17,149,661
Allowance for impairment of trade debts	9,462,991		23,302
Provision for staff retirement benefits	50,142,319		39,444,809
Interest income	(31,311,513)		(48,653,333)
Profit before working capital changes	1,553,168,855		1,474,624,788
Effect on cash flow due to working capital changes			
Decrease / (increase) in current assets			
Stores and spares	(4,660,093)		(11,117,173)
Inventories	(404,291,914)		(504,340,505)
Trade debts	(321,779)		(280,870,706)
Loans and advances	(123,167,642)		2,700,901
Trade deposits and prepayments	20,684,484		(77,573,454)
Refunds due from Government	79,468,917		47,250,204
Other receivables	57,101,509		23,695,775
	(375,186,518)		(800,254,958)
Increase in current liabilities			
Trade and other payables	255,399,666		(380,780,188)
Provision for severance	-		8,021,729
	(119,786,852)		(1,173,013,417)
	1,433,382,003		301,611,371

	Note	Un-audited September 30, 2019	Audited December 31, 2018	Un-audited September 30, 2018 (Restated)
13. CASH AND CASH EQUIVALENTS				
Bank balances	6	325,352,127	707,442,531	780,877,613
Investment at amortised cost		-	-	199,000,675
Running finance under mark-up arrangement		(678,042,415)	(1,591,779,855)	(1,696,408,866)
		(352,690,288)	(884,337,324)	(716,530,578)

14. 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
September 30,
2019

Un-audited
September 30,
2018 (Restated)

Rupees

14.1 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	3,843,903,964	3,972,693,835
	b. Expenses cross charged by GSK Pakistan Limited	68,562,891	91,396,636
	c. Services fee charged by GSK Pakistan Limited	9,000,000	9,000,000
Staff			
retirement funds:	a. Expense charged for retirement benefit plans	50,142,319	39,444,809
	b. Payments to retirement benefit plans	46,182,281	35,714,157
Key management personnel:	a. Salaries and other employee benefits	125,689,737	89,326,633
	b. Post employment benefits	11,047,634	7,376,945

15. 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).

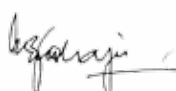
The Company does not have any financial assets and liabilities measured at fair value. The carrying values of all the financial assets and financial liabilities reported in the condensed interim statement of financial position approximate their fair values.

16. DATE OF AUTHORISATION FOR ISSUE

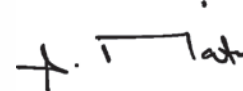
These condensed interim financial statements were approved and authorised for issue by the Board of Directors of the Company on October 25, 2019.



Chief Financial Officer



Director



Chief Executive Officer