



GLAXOSMITHKLINE CONSUMER HEALTHCARE PAKISTAN LIMITED



FINANCIAL ADVISOR



February 2017



About the Company

Name of the Company	GlaxoSmithKline Consumer Healthcare Pakistan Limited (“GSK CH” or the “Company”)
CUIN	0092738
Demerged from	GlaxoSmithKline Pakistan Limited (“GSK”)
Registered Office	35 Dockyard Road, West Wharf, Karachi – 74000
Telephone Number	+92 21 111 475 725
Fax Number	+91 21 3220 1855
Website Address	www.gsk.com.pk
E-Mail Address	Farhan.m.haroon@gsk.com

Share capital of the Company

No. of Shares	Shareholder	Face Value (PKR)	Premium (PKR)	Total Value (PKR)
100,000,000	AUTHORIZED CAPITAL Ordinary shares of PKR 10/- each	1,000,000,000	-	1,000,000,000
95,550,183	ISSUED AND PAID-UP CAPITAL OF THE COMPANY	955,501,830	-	955,501,830
95,550,183	Total	955,501,830	-	955,501,830

THE ISSUED, SUBSCRIBED & PAID-UP CAPITAL OF GLAXOSMITHKLINE CONSUMER HEALTHCARE PAKISTAN LIMITED IS HELD AS FOLLOWS:

Shares held by the Sponsor of the Company

78,918,934	GlaxoSmithKline Consumer Healthcare B.V.	789,189,340	-	789,189,340
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Shares held by Directors of the Company

1,159	Mr. Husain Lawai	11,590	-	11,590
1	Syed Azeem Abbas Naqvi	10	-	10
1	Mr. Sohail Ahmed Matin	10	-	10

Shares held by External Shareholders

16,630,088		166,300,880	-	166,300,880
95,550,183	Total	955,501,830	-	955,501,830

Description of the business

GlaxoSmithKline Consumer Healthcare Pakistan Limited is a manufacturer and trader of Fast Moving Consumer Goods (“FMCG”) and pharmaceutical products.

Particulars of chief executive, directors, company secretary, and chief financial officer of the Company

Name	Designation
Sohail Ahmed Matin	Chief Executive Officer & Director
Farhan Muhammad Haroon	Chief Financial Officer, Company Secretary & Director
Annelize Roberts	Director
Husain Lawai	Director
Syed Azeem Abbas Naqvi	Director



Syed Anwar Mahmood	Director
Emine Tasci Kaya	Director

Profiles of Directors

Annelize Roberts

Annelize Roberts is the VP Global Trading Partner Entities as of 1st July 2016. Initially based in Dubai, she was most recently the Finance Director for Middle East Consumer from Jan 2013 till 2015. After this, she moved to the Global Finance Integration role for the new GSK Consumer joint venture with Novartis in May 2015, relocating back to London before moving into her new role.

Annelize joined GSK in 1999, and has worked across several parts of GSK during this time, including roles in the Consumer Healthcare, Corporate, ViiV Healthcare covering finance partnering, Supply chain planning, Finance support services and Project integration roles.

She qualified as a Chartered Accountant in South Africa, completing her articles with KPMG and is also a Chartered Management Accountant (ACMA) and holds degrees in Accounting and Information Systems.

Emine Tasci Kaya

Emine joined GSK in February 2016 as Customer Supply Chain Director for Middle East markets. In this role Emine oversees end to end supply chain activities for markets in the Middle East Area and provides single point of contact for commercial organisation on Supply Chain Performance.

Before joining GSK, Emine spent ten years working in regional and global supply chain roles both in Turkey and Asia Pacific in FMCG and Pharmaceuticals industries.

Emine holds Bachelor Degree in Economics from Yildiz Technical University and she has a Masters Degree in Logistics and Supply Chain Management from University of South Australia.

Farhan Muhammad Haroon

Farhan joined GSK Pakistan Limited in 2011 as Head of Financial Shared Services and is presently working as Director Finance and the Company Secretary for GSK CH and GSK OTC (Pvt.) Limited. During this period, he has led various key local and above country restructuring projects and teams responsible for planning and budgeting, financial and management reporting, while playing key business partnering roles with Supply Chain, Legal and Treasury. Recently, he has been navigating the process of Novartis Integration, managing external advisory teams and internal stakeholders for entity restructuring and coordinating all the requirements as the Financial Integration Lead. He has previously served on various positions in Lotte Petrochemical (formerly a member company of AzkoNobel/ ICI Worldwide Group) Sanofi and PwC.

Farhan Muhammad Haroon is an associate member of the Institute of Chartered Accountants of Pakistan (ICAP) and Institute of Cost and Management Accountants of Pakistan (ICMAP) with an MBA from the Institute of Business Administration (IBA).



Syed Anwar Mahmood

Syed Anwar Mahmood, who retired as a Secretary to the Government of Pakistan in 2008 after heading the Ministry of Health and the Ministry of Information & Broadcasting, now heads his own consultancy, media and government relations firm. He also publishes and edits a monthly magazine titled Health & Pharma.

He graduated with honors in economics and later obtained a Master's degree also in economics. Mahmood joined the Central Superior Services of Pakistan in November 1971 through the CSS examination. After training at the Civil Services Academy, he was assigned to various positions and responsibilities during which he earned varied experience both in media and management, including hands-on experience of media relations and conceiving and executing media and communications strategy for the Federal Government at the highest level. He has served for nearly six years, spread over two terms, as the Federal Information Secretary and the government's chief spokesman. He has headed many media organizations as Chief Executive or as Chairman of the Board, including PTV, PBC, SRBC, APP, and the Press Information Department.

Sohail Ahmed Matin

Sohail Matin commenced his career with GSK in Supply Chain in 1986 and then moved to SK&F and Sterling Winthrop. He joined SmithKline Beecham in 1997, and since then worked as Director Quality Assurance & Manufacturing Development in Pakistan and Area Regulatory & Business Development Director Middle East & Africa in Dubai, before moving back to Pakistan in 2007. For the next seven years Sohail served as GM of Consumer Healthcare (Pakistan), before taking on his current role of CEO and GM of GlaxoSmithKline Consumer Healthcare Pakistan Ltd. and GSK OTC (Pvt.) Ltd.

Sohail Matin holds a Master's degree in Mechanical Engineering from Stevens Institute of Technology, followed by an MBA in Management from Oklahoma State University.

Azeem Naqvi

Azeem Naqvi is the Head of Legal – Pakistan, Iran and Afghanistan. He is also the Company Secretary of GSK. He joined GSK in March 2014 prior to which he was working for Pak-Arab Refinery Ltd (PARCO). He is a seasoned lawyer with 18 years of experience as in-house legal counsel, having served at The Bank of Punjab, PTCL (Etisalat) and Nestle as the Legal Director for 12 years.

Hussain Lawai

Mr. Hussain Lawai is the President and CEO of Summit Bank Limited, and is a seasoned banker with vast experience in the banking and financial services industry. He holds Masters Degree in Business Administration from Institute of Business Administration, Karachi. Mr. Lawai held the position of President and Chief Executive Officer at MCB Bank and holds the distinction of establishing Faysal Islamic Bank, Pakistan Branches; the first Islamic Sharia Compliant Bank (presently known as Faysal Bank Limited). He also served as the General Manager, Emirates NBD Bank for Pakistan and Far East.

Currently Mr. Lawai is the Chairman of Central Depository Company of Pakistan. He is also on the Board of Directors of Wyeth Pakistan Ltd., GlaxoSmithKline Pakistan Ltd, GlaxoSmithKline Consumer Healthcare Pakistan Ltd and The Searle Company Ltd.

He is on the Board of Governors of Karachi Grammar School and Virtual University of Pakistan.



Details of advisors

Name	Contact Person	Telephone	E-Mail	Address
Auditor of the Company				
A.F. Ferguson & Co	Mohammad Adil Aslam	021-32426711	Mohammad.Adil.Aslam@pk.pwc.com	1-C, I.I. Chundrigar Road, Karachi.
Legal Advisor of the Company				
Mandviwalla & Zafar	Mehmood Mandviwalla	021-35567041-3	mehmood@mandviwallaan.dzafar.com	C-15, Block 2, Clifton, Karachi - Pakistan
Financial Advisor of the Company				
Arif Habib Limited	Syed Saquib Ali	+92 21 3246 2597	saquib.ali@arifhabibltd.com	Arif Habib Center, 23 M.T. Khan Road, Karachi

Banker to the Company

Citibank N.A. Pakistan



A.F.FERGUSON & Co.

The Board of Directors
GlaxoSmithKline Consumer Healthcare Pakistan Limited
35 – Dockyard Road
West Wharf
Karachi - 74000

February 6, 2017

Our reference: ASR 1670

Dear Sirs

AUDITORS' REPORT UNDER CLAUSE 28 OF SECTION 2 OF PART I OF THE SECOND SCHEDULE TO THE COMPANIES ORDINANCE, 1984

In accordance with clause 28 of section 2 of Part I of the Second Schedule to the Companies Ordinance, 1984, we report that:

1. **The assets and liabilities of GlaxoSmithKline Consumer Healthcare Pakistan Limited (the Company) as per the audited financial statements as at December 31, 2016 are as follows:**

	December 31, 2016 Rupees
ASSETS	
Non-current assets	
Fixed Assets	131,649,092
Deferred taxation	17,313,012
Long-term loans to employees	638,747
	149,600,851
Current assets	
Stock-in-trade	563,611,708
Trade debts	315,941,587
Loans and advances	1,023,064,438
Interest accrued	1,902,192
Refunds due from government	17,242,440
Other receivables	120,374,628
Taxation - payments less provision	8,059,307
Cash and bank balances	670,342,359
	2,720,538,659
TOTAL ASSETS	2,870,139,510

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

■ KARACHI ■ LAHORE ■ ISLAMABAD

	December 31, 2016 Rupees
EQUITY AND LIABILITIES	
Equity	
Share capital	955,501,830
Reserves	641,074,562
	<u>1,596,576,392</u>
Non-Current Liabilities	
Staff retirement benefits	8,546,444
Current Liabilities	
Trade and other payables	1,265,016,674
	<u>1,273,563,118</u>
TOTAL EQUITY AND LIABILITIES	<u><u>2,870,139,510</u></u>

2. The statement of comprehensive income of the Company for the year ended December 31, 2016 and for the period from March 31, 2015 to December 31, 2015 as per the audited financial statements are as follows:

	Year ended December 31, 2016 Rupees	For the period from March 31, 2015 to December 31, 2015 Rupees
Net sales	5,375,804,602	-
Cost of sales	(3,867,068,492)	-
Gross profit	<u>1,508,736,110</u>	<u>-</u>
Selling, marketing and distribution expenses	(984,204,229)	-
Administrative expenses	(131,952,347)	(252,700)
Other operating expense	(65,156,000)	-
Other income	530,194,830	-
Operating profit / (loss)	<u>857,618,364</u>	<u>(252,700)</u>
Financial charges	(1,554,609)	-
Profit / (loss) before taxation	<u>856,063,755</u>	<u>(252,700)</u>
Taxation	(310,598,363)	-
Profit / (loss) after taxation	<u>545,465,392</u>	<u>(252,700)</u>
Other comprehensive income		
Items that will not be reclassified to profit and loss		
Remeasurement of staff retirement benefits	(8,363,802)	-
Impact of taxation	2,312,139	-
	(6,051,663)	-
Total comprehensive income / (loss)	<u><u>539,413,729</u></u>	<u><u>(252,700)</u></u>
Earnings / (loss) per share – basic	<u>Rs. 7.60</u>	<u>Rs. (84,233.33)</u>



A.F.FERGUSON&Co.

3. DIVIDENDS

No dividends were declared by the Company for the year ended December 31, 2016 and for the period from March 31, 2015 to December 31, 2015.

4. COMMITMENTS

Commitments in respect of capital expenditure outstanding as at December 31, 2016 amounts to Rs. 32.33 million (2015: Rs. Nil).

5. OTHER MATTERS

5.1 The Company was incorporated in Pakistan as a public unlisted company under the provisions of the Companies Ordinance, 1984 on March 31, 2015 principally to effect the demerger of Consumer Healthcare business of GlaxoSmithKline Pakistan Limited.

5.2 Consequent to the submission of order of the High Court of Sindh approving the Scheme of Arrangement (Scheme) for de-merger of GlaxoSmithKline Pakistan Limited (GSK Pakistan) to the Registrar of Companies on April 1, 2016, following assets and liabilities of Consumer Healthcare Division of GSK Pakistan as at March 31, 2016 were transferred to and vested into the Company under the Scheme:

	Rupees
ASSETS	
Fixed Assets	71,237,040
Long-term loans to employees	695,142
Deferred taxation	11,993,000
Stock-in-trade	662,742,644
Trade debts	233,218,284
Loans and advances	2,752,500
Other receivables	15,665,114
Cash and bank balances	768,893,226
	1,767,196,950
LIABILITIES	
Trade and other payables	(709,881,587)
NET ASSETS	1,057,315,363

As per the Scheme, the Company has, in consideration of the demerger and transfer of Consumer Healthcare business to the Company, without any further application, issued and allotted fully paid-up shares, to the shareholders of GSK Pakistan whose names were appearing in the register of members of GSK Pakistan in the proportion of three shares of the Company for every ten fully paid up shares of Rs. 10 held in GSK Pakistan.

5.2.1 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.

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- 5.3** 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 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) drugs transferred to the Company from GSK Pakistan under the Scheme of Arrangement.

Due to inaction on the part of DRAP, pending hardship cases remained undecided by DRAP despite lapse of stipulated period of nine months and GSK Pakistan approached the High Court of Sindh ('SHC') in order to avail the long pending hardship price increase. The SHC granted an interim order and restrained DRAP from taking any coercive action.

In December 2016, the SHC passed a Judgement in respect of the hardship cases. Two weeks after the Judgement, DRAP also issued a letter directing GSK Pakistan (on behalf of the Company - see note 5.2.1) to recall from the market all products on which the hardship price increase is availed, within 7 days of the letter. An Appeal against the aforementioned Judgement was filed before Divisional Bench of SHC. The SHC has directed DRAP not to take any coercive action.

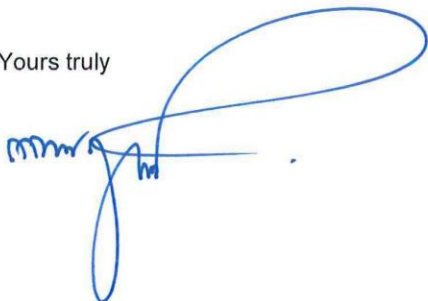
The management of the Company believes that there are strong grounds of Appeal to support the stance of the Company on hardship price increases.

- 5.4** A fire incident occurred on June 24, 2016 at one of the Company's third party warehouses located at main Hawksbay Road, Karachi. The Company's management has ascertained that stocks amounting to Rs. 502.01 million were destroyed at the warehouse and the same has been written off during the year.

Subsequently, the management filed a claim with the Insurance Company with regards to the burnt stock. The Insurance Company pursuant to filing the claim, has acknowledged the claim and the Company has received the insurance claim amounting to Rs. 506.25 million.

This report is being issued on the specific request of the Company for complying with listing requirements of Pakistan Stock Exchange. Accordingly, this should not be distributed to any other parties without our prior written consent.

Yours truly





Auditors' Certificate on Break-up Value of Shares



A.F.FERGUSON&CO.

The Board of Directors
GlaxoSmithKline Consumer Healthcare Pakistan Limited
35 – Dockyard Road
West Wharf
Karachi - 74000

February 6, 2017

Our reference: ASR 1672

Dear Sirs

AUDITORS' CERTIFICATE ON THE BREAK-UP VALUE OF SHARES

Based on audited financial statements of GlaxoSmithKline Consumer Healthcare Pakistan Limited (the Company) for the year ended December 31, 2016, the break-up value of an ordinary share of Rs. 10 each of the Company is Rs. 16.71 per share, as calculated below:

	Rupees
Equity	
Issued, subscribed and paid-up capital	955,501,830
Unappropriated profit	539,161,029
Reserve arising at the Scheme of Arrangement	101,913,533
Total Equity	<u>1,596,576,392</u>
Number of ordinary shares in issue	<u>95,550,183</u>
	Rupees
Break-up value per share	<u>16.71</u>

This certificate is being issued on the specific request of the Company for complying with listing requirements of Pakistan Stock Exchange. Accordingly, this should not be distributed to any other parties without our prior written consent.

Yours truly



Auditors' Certificate on Issued, Subscribed and Paid-up Capital



A.F.FERGUSON & Co.

The Board of Directors
GlaxoSmithKline Consumer Healthcare Pakistan Limited
35 – Dockyard Road
West Wharf
Karachi – 74000

February 6, 2017

Our reference: ASR 1671

Dear Sirs

AUDITORS' CERTIFICATE ON ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

We have verified from the books of account and other records of GlaxoSmithKline Consumer Healthcare Pakistan Limited (the Company) that the issued, subscribed and paid-up capital of the Company as at December 31, 2016 was Rs. 955,501,830 divided into 95,550,183 ordinary shares of Rs. 10 each, comprising of:

Particulars	Number of Shares	Rupees
Allotted for consideration paid in cash	10,000	100,000
Allotted for consideration other than cash under the Scheme of Arrangement – note 1	95,540,183	955,401,830
Total issued, subscribed and paid-up capital	95,550,183	955,501,830

The break-up of shareholding as at December 31, 2016 is as follows:

	Number of Shares	Rupees
Directors		
- Mr. Hussain Lawai	1	10
- Syed Azeem Abbas Naqvi	1	10
- Mr. Sohail Ahmed Matin	1	10
	3	30
Holding Company		
- GlaxoSmithKline Consumer Healthcare B.V.	78,918,934	789,189,340
Other Shareholders	16,631,246	166,312,460
Total issued, subscribed and paid-up capital as at December 31, 2016	95,550,183	955,501,830



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Note 1 – As per the Scheme of Arrangement, these shares were allotted as fully paid up shares to the shareholders of GlaxoSmithKline Pakistan Limited ('GSK Pakistan') as consideration for the demerger and transfer of Consumer Healthcare business of GSK Pakistan to the Company in the proportion of three shares of the Company for every ten fully paid up shares of Rs. 10 held in Pakistan.

This certificate is being issued on the specific request of the Company for complying with listing requirements of Pakistan Stock Exchange. Accordingly, this should not be distributed to any other parties without our prior written consent.

Yours truly