

**GLAXOSMITHKLINE CONSUMER HEALTHCARE
PAKISTAN LIMITED**

**FINANCIAL STATEMENTS FOR THE
YEAR ENDED DECEMBER 31, 2016**



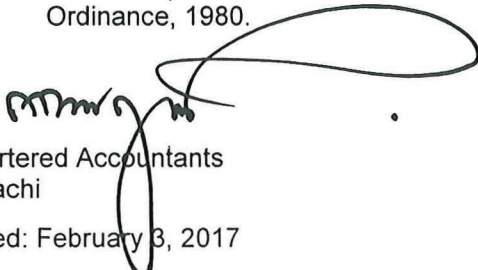
AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of GlaxoSmithKline Consumer Healthcare Pakistan Limited as at December 31, 2016 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at December 31, 2016 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.


Chartered Accountants
Karachi

Dated: February 3, 2017

Name of Engagement Partner: Mohammad Zulfikar Akhtar

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GLAXOSMITHKLINE CONSUMER HEALTHCARE PAKISTAN LIMITED

BALANCE SHEET AS AT DECEMBER 31, 2016

	Note	2016 Rupees	2015 Rupees
NON-CURRENT ASSETS			
Fixed assets	3	131,649,092	-
Deferred taxation	4	17,313,012	-
Long-term loans to employees	5	638,747	-
		<u>149,600,851</u>	<u>-</u>
CURRENT ASSETS			
Stock-in-trade	6	563,611,708	-
Trade debts	7	315,941,587	-
Loans and advances	8	1,023,064,438	-
Interest accrued		1,902,192	-
Refunds due from government	9	17,242,440	-
Other receivables	10	120,374,628	-
Taxation - payments less provision		8,059,307	-
Cash and bank balances	11	670,342,359	3,090
		<u>2,720,538,659</u>	<u>3,090</u>
		<u>2,870,139,510</u>	<u>3,090</u>
SHARE CAPITAL AND RESERVES			
Share capital	12	955,501,830	30
Reserves	13	641,074,562	(252,700)
		<u>1,596,576,392</u>	<u>(252,670)</u>
NON-CURRENT LIABILITIES			
Staff retirement benefits	14	8,546,444	-
CURRENT LIABILITIES			
Trade and other payables	15	1,265,016,674	255,760
		<u>1,273,563,118</u>	<u>255,760</u>
COMMITMENTS			
	16	<u>2,870,139,510</u>	<u>3,090</u>

The annexed notes 1 to 35 form an integral part of these financial statements.

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Chief Executive



Director

GLAXOSMITHKLINE CONSUMER HEALTHCARE PAKISTAN LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	2016 Rupees	For the period from March 31, 2015 to December 31, 2015 Rupees
Net sales	17	5,375,804,602	-
Cost of sales	18	(3,867,068,492)	-
Gross profit		1,508,736,110	-
Selling, marketing and distribution expenses	19	(984,204,229)	-
Administrative expenses	20	(131,952,347)	(252,700)
Other operating expenses	21	(65,156,000)	-
Other income	22	530,194,830	-
Operating profit / (loss)		857,618,364	(252,700)
Financial charges	23	(1,554,609)	-
Profit / (loss) before taxation		856,063,755	(252,700)
Taxation	24	(310,598,363)	-
Profit / (loss) after taxation		545,465,392	(252,700)
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)		539,413,729	(252,700)
Earnings / (loss) per share - basic	25	Rs. 7.60	Rs. (84,233.33)

The annexed notes 1 to 35 form an integral part of these financial statements.

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Chief Executive

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Director

GLAXOSMITHKLINE CONSUMER HEALTHCARE PAKISTAN LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	2016 Rupees	For the period from March 31, 2015 to December 31, 2015 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	26	1,276,487,486	3,060
Staff retirement benefits paid		(5,019,828)	-
Income taxes paid		(321,665,543)	-
Decrease in long-term loans to employees		56,395	-
Net cash generated from operating activities		949,858,510	3,060
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(71,003,854)	-
Proceeds from sale of operating assets		722,500	-
Loan to GlaxoSmithKline OTC (Private) Limited		(1,000,000,000)	-
Return received		21,768,917	-
Net cash used in investing activities		(1,048,512,437)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of shares		99,970	30
Net (decrease) / increase in cash and cash equivalents		(98,553,957)	3,090
Cash and cash equivalents at beginning of the year / period		3,090	-
Cash received from GlaxoSmithKline Pakistan Limited under the Scheme - note 1.1		768,893,226	-
Cash and cash equivalents at end of the year / period	27	670,342,359	3,090

The annexed notes 1 to 35 form an integral part of these financial statements.

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Chief Executive



Director

GLAXOSMITHKLINE CONSUMER HEALTHCARE PAKISTAN LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2016

	Share capital	Capital Reserve	Revenue Reserves	Total
		Reserve arising at the Scheme of Arrangement - note 1.1	Accumulated loss / unappropriated profit	
← Rupees →				
Balance as at March 31, 2015	-	-	-	-
3 ordinary shares of Rs 10 each fully paid in cash	30	-	-	30
Loss for the period from March 31, 2015 to December 31, 2015	-	-	(252,700)	(252,700)
Balance as at December 31, 2015	30	-	(252,700)	(252,670)
Issuance of right shares	99,970	-	-	99,970
Transfer of Consumer Healthcare Division of GlaxoSmithKline Pakistan Limited under the Scheme of Arrangement - note 1.1	955,401,830	101,913,533	-	1,057,315,363
Profit after taxation for the year ended December 31, 2016	-	-	545,465,392	545,465,392
Remeasurement of staff retirement benefits - net of tax	-	-	(6,051,663)	(6,051,663)
Total comprehensive income for the year ended December 31, 2016	-	-	539,413,729	539,413,729
Balance as at December 31, 2016	<u>955,501,830</u>	<u>101,913,533</u>	<u>539,161,029</u>	<u>1,596,576,392</u>

The annexed notes 1 to 35 form an integral part of these financial statements.

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Chief Executive


Director

GLAXOSMITHKLINE CONSUMER HEALTHCARE PAKISTAN LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

1. THE COMPANY AND ITS OPERATIONS

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

1.1. Assets and liabilities transferred

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.

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



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

2.1 Basis of preparation

Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with the IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The matters involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant which have been disclosed in the relevant notes to the financial statements are:

- i) Provision for retirement benefits
- ii) Depreciation of non-current assets
- iii) Provision for obsolete and slow moving stock
- iv) Provision for doubtful receivables
- v) Taxation

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

There have been no critical judgments made by the Company's management in applying the accounting policies that would have effect on the amounts recognised in the financial statements.

2.2 Changes in accounting standards, interpretations and pronouncements

(a) Standards, interpretations and amendments to published approved accounting standards that are effective in the current year and are relevant

IAS 1 'Presentation of financial statements' These amendments clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and disclosures of accounting policies. The amendments form a part of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved.

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(b) Standards, interpretations and amendments to published approved accounting standards that are effective in the current year but are not relevant

Except as stated in (a), new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2016 are considered not to be relevant for the Company's financial statements and hence have not been detailed here.

(c) Standards, interpretations and amendments to published approved accounting standards that are not yet effective

Amendments to IAS 7, Statement of cash flows introduces an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative.

The change will impact the disclosures of the Company's financial statements.

2.3 Overall valuation policy

These financial statements have been prepared under the historical cost convention except as otherwise disclosed in the accounting policies below.

2.4 Staff retirement benefits

2.4.1 The Company operates an approved funded gratuity plan for all its eligible employees. Contributions to the gratuity plan are based on actuarial recommendations. The latest actuarial valuations of the scheme was carried out as at December 31, 2016 using the Projected Unit Credit Method.

Retirement benefits are payable to employees on completion of prescribed qualifying period of service under the Plan. For the purpose of determining prescribed qualifying period of service in respect of transferred employees under the Scheme, date of joining is the date on which the employee joined GSK Pakistan.

2.4.2 The Company also operates approved contributory provident fund for all its permanent employees.

2.5 Taxation

2.5.1 Current

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any, and taxes paid under the final tax regime.

2.5.2 Deferred

Deferred tax is accounted for using the balance sheet liability method on all temporary differences arising between tax bases of assets and liabilities and their carrying amounts. Deferred tax liability is recognised for all taxable temporary differences and deferred tax asset is recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax is charged or credited in the profit and loss account except for deferred tax arising on revaluation of available for sale investments and remeasurements of retirement benefits obligations which are recognised in other comprehensive income.



2.6 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

2.7 Property, plant and equipment

(i) Operating fixed assets

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment.

Depreciation is charged using the straight line method whereby the carrying value of an asset less estimated residual value, if not insignificant, is written off over its estimated remaining useful life. Depreciation on assets is charged from the month of addition to the month of disposal.

The carrying value of operating assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired.

Gains and losses on disposal of fixed assets are included in income currently.

(ii) Capital work-in-progress

Capital work-in-progress is stated at cost less impairment in value, if any. It consists of expenditure incurred and advances made in respect of tangible fixed assets in the course of their construction and installation.

2.8 Stock-in-trade

These are valued at the lower of cost and net realisable value. Cost is determined using first-in first-out method.

Cost of raw and packing materials comprise of purchase price including directly related expenses less trade discounts. Cost of work-in-process and finished goods include cost of raw and packing materials, direct labour and related production overheads.

Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred to make the sale.

2.9 Trade debts

Trade debts are initially recognised at the invoice value which signifies their fair value, and then carried at amortised cost. Provision is made against debts considered doubtful of recovery. Bad debts are written off when considered irrecoverable.



2.10 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost / amortised cost. For the purpose of the cash flow statement, cash and cash equivalents comprise of cash and cheques in hand, balances with banks on current, savings and deposit accounts, short-term investments and short-term borrowings under running finance, having maturity of upto three months.

2.11 Foreign currency translation

Foreign currency transactions are recorded into Pak Rupee using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currency are translated into Pak Rupee at the rates of exchange prevailing at the balance sheet date. Exchange gains and losses are included in income currently.

The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

2.12 Revenue recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, and is recognised on the following basis:

- Sales of goods are recorded when the risks and rewards of the goods are transferred to the customers.
- Returns on deposits, investments, scrap sales and insurance commission are recognised on accrual basis.

2.13 Financial assets and liabilities

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given or received respectively. These are subsequently measured at fair value, amortised cost or cost as the case may be.

2.14 Dividend

Dividend is recognised as a liability in the period in which it is approved.

2.15 Share based payments

Cash settled share based payments provided to employees are recorded as liability in the financial statements at fair value over the period the services are received.



	Note	2016 Rupees	2015 Rupees
3. FIXED ASSETS			
Operating assets	3.1	74,916,221	-
Capital work-in-progress	3.2	56,732,871	-
		<u>131,649,092</u>	<u>-</u>

3.1 Operating assets

	Leasehold Improvements	Furniture & fixtures	Vehicles	Office equipment	Total
	← Rupees →				
Net carrying value basis					
Year ended December 31, 2016					
Assets transferred from GlaxoSmithKline Pakistan Limited under the Scheme (at cost) - note 1.1	12,251,089	2,161,553	45,150,958	15,607,789	75,171,389
Additions (at cost)	-	-	33,313,213	1,509,355	34,822,568
Disposals					
- Cost	-	-	(1,291,000)	-	(1,291,000)
- Accumulated depreciation	-	-	847,183	-	847,183
	-	-	(443,817)	-	(443,817)
Accumulated depreciation on assets transferred under the Scheme - note 1.1	(911,609)	(733,249)	(16,701,977)	(6,139,099)	(24,485,934)
Depreciation charge	(229,969)	(157,915)	(7,591,287)	(2,168,814)	(10,147,985)
Closing net book value	<u>11,109,511</u>	<u>1,270,389</u>	<u>53,727,090</u>	<u>8,809,231</u>	<u>74,916,221</u>
Gross carrying value basis					
At December 31, 2016					
Cost	12,251,089	2,161,553	77,173,171	17,117,144	108,702,957
Accumulated depreciation	(1,141,578)	(891,164)	(23,446,081)	(8,307,913)	(33,786,736)
Net book value	<u>11,109,511</u>	<u>1,270,389</u>	<u>53,727,090</u>	<u>8,809,231</u>	<u>74,916,221</u>
Depreciation rate % per annum	2.5	10	25	10 to 33.33	

	2016 Rupees	2015 Rupees
3.2 Capital work-in-progress		
Assets transferred from GSK Pakistan pursuant to the Scheme - note 1.1	20,551,585	-
Additions during the year	43,745,906	-
Transfers during the year	(7,564,620)	-
Closing balance - note 3.2.1	<u>56,732,871</u>	<u>-</u>

3.2.1 As at December 31, capital work-in-progress represents:

Civil works	1,487,016	-
Furniture and fixtures	1,909,966	-
Office equipments	23,676,740	-
Advances to suppliers	29,659,149	-
	<u>56,732,871</u>	<u>-</u>

	2016 Rupees	2015 Rupees
4. DEFERRED TAXATION		
Debit balances arising in respect of:		
- Provision for doubtful debts	1,871,663	-
- Provision for slow moving & obsolete stocks	18,688,449	-
- Staff retirement benefits	2,362,630	-
	<u>22,922,742</u>	<u>-</u>
Credit balance arising in respect of accelerated tax depreciation allowances	5,609,730	-
	<u>17,313,012</u>	<u>-</u>
5. LONG-TERM LOANS TO EMPLOYEES - considered good		
To executives	2,373,322	-
Recoverable within one year - note 8	(1,734,575)	-
	<u>638,747</u>	<u>-</u>
5.1		
These loans have been given in accordance with the terms of employment for the purchase of motor car, motor cycle, computer and for the purpose of house relocation and are repayable in 18 to 60 equal monthly installments. These loans are interest free. All loans are secured against the retirement fund balances.		
	2016 Rupees	2015 Rupees
6. STOCK-IN-TRADE		
Raw and packing materials including in transit Rs. 47.84 million (2015: Rs. Nil)	114,766,982	-
Work-in-process	16,207,828	-
Finished goods including in transit Rs. 242.10 million (2015: Rs. Nil)	509,488,194	-
	<u>640,463,004</u>	<u>-</u>
Less: Provision for slow moving, obsolete and damaged items - note 6.2	(76,851,296)	-
	<u>563,611,708</u>	<u>-</u>
6.1		
Details of stock-in-trade held with the third parties is as follows:		
	2016 Rupees	2015 Rupees
For use in third party manufacturing Roomi Enterprises (Private) Limited	83,130,981	-
Stock held at third party warehouse DHL Global Forwarding Pakistan (Private) Limited	161,454,526	-
6.2		
During the year, stock-in-trade of Rs. 35.43 million (2015: Rs. Nil) have been written off against provision.		

	2016 Rupees	2015 Rupees
7. TRADE DEBTS		
Considered good	315,941,587	-
Considered doubtful	6,770,448	-
	<u>322,712,035</u>	<u>-</u>
Provision for doubtful debts	(6,770,448)	-
	<u><u>315,941,587</u></u>	<u><u>-</u></u>

7.1 The ageing analysis of trade debts past due but not impaired is as follows:

	2016 Rupees	2015 Rupees
Up to 3 months	16,506,689	-

8. LOANS AND ADVANCES - considered good

Loan to GlaxoSmithKline OTC (Private) Limited - note 8.1	1,000,000,000	-
Loans due from employees	1,734,575	-
Advances to employees	1,617,094	-
Advances to suppliers	19,712,769	-
	<u>1,023,064,438</u>	<u>-</u>

8.1 The Company has given a loan to GlaxoSmithKline OTC (Private) Limited amounting to Rs. 1 billion for the purchase of land, building and manufacturing facility from Novartis Pharma (Pakistan) Limited. The tenure of the loan is eleven months. Interest is receivable quarterly at the rate quoted by a designated bank for advances / loan in Pakistani Rupees for the respective interest period.

9. REFUNDS DUE FROM GOVERNMENT

This represents sales tax refundable due from Government which is considered good.

	2016 Rupees	2015 Rupees
10. OTHER RECEIVABLES		
Due from associated companies - note 10.1	113,061,414	-
Others	7,313,214	-
	<u>120,374,628</u>	<u>-</u>

