



Calibrating Precision

GSK Pakistan Limited
Third Quarter Report
2021

CORPORATE INFORMATION

As at September 30, 2021

Board of Directors

Mr. Dmytro Oliinyk
Chairman

Ms. Erum Shakir Rahim
Chief Executive Officer

Mr. Hasham Baber
Chief Financial Officer

Ms. Maheen Rahman
Independent Director

Mr. Muneer Kamal
Independent Director

Mr. Mehmood Mandviwalla
Non-Executive Director

Mr. Mark Dawson
Non-Executive Director

Audit Committee

Mr. Muneer Kamal
Chairman

Mr. Dmytro Oliinyk
Member

Mr. Mark Dawson
Member

Mr. Mehmood Mandviwalla
Member

Ms. Maheen Rahman
Member

Syed Ahsan Ejaz
Secretary

Disclosure Committee

Ms. Erum Shakir Rahim
Chairperson

Mr. Dmytro Oliinyk
Member

Ms. Mehar-e-daraksha Ameer
Member

Mr. Hasham Baber
Secretary

Management Committee

Ms. Erum Shakir Rahim
Chief Executive Officer

Mr. Hasham Baber
Chief Financial Officer

Ms. Mehar-e-daraksha Ameer
Legal Director

Dr. Tariq Farooq
Business Unit Director BU 1

Syed Nasir Farid
Business Unit Director BU 2

Dr. Naved Masoom Ali
Business Unit Director BU 3

Mr. Khurram Amjad
Director Commercial
Excellence & CTC

Dr. Gohar Nayab Khan
Regulatory Affairs Cluster
Head - Pakistan & Iran

Mr. Abdul Haseeb Pirzada
Director Corporate Affairs and
Administration

Mr. Zain Anjum
Country Compliance Officer

Dr. Yousuf Hasan Khan
Director Medical

Syed Nabigh Raza Alam
Tech Head

Mr. Obaid Siddiqui
Head of Procurement

Mr. Farqaleet Iqbal
HR Country Head

Mr. Imtiaz Hussain
Site Director - F/268

Mr. Javed Tariq
Site Director - Korangi

Mr. Khurshand Iqbal
Site Director - West Wharf

Human Resource & Remuneration Committee

Ms. Maheen Rahman
Chairperson

Mr. Mehmood Mandviwalla
Member

Mr. Dmytro Oliinyk
Member

Mr. Mark Dawson
Member

Ms. Erum Shakir Rahim
Member

Mr. Farqaleet Iqbal
Secretary

Company Secretary

Ms. Mehar-e-daraksha Ameer

Chief Financial Officer

Mr. Hasham Baber

Chief Internal Auditor

Syed Ahsan Ejaz

Bankers

Citibank NA
Deutsche Bank A.G.
Habib Bank Limited
Meezan Bank Limited
Standard Chartered Bank (Pakistan) Ltd

Auditors

Yousuf Adil & Co. Chartered
Accountants

Legal Advisors

Hashmi & Hashmi
Faisal, Mahmood Ghani and Co
Legal Consultancy Inc.

Registered Office

35 - Dockyard Road, West Wharf,
Karachi - 74000.
Tel: 92-21-111-475-725
(111-GSK-PAK)
Fax: 92-21-32314898, 32311122
Website: www.pk.gsk.com



Sykes Building

THE
SYKES
BUILDING

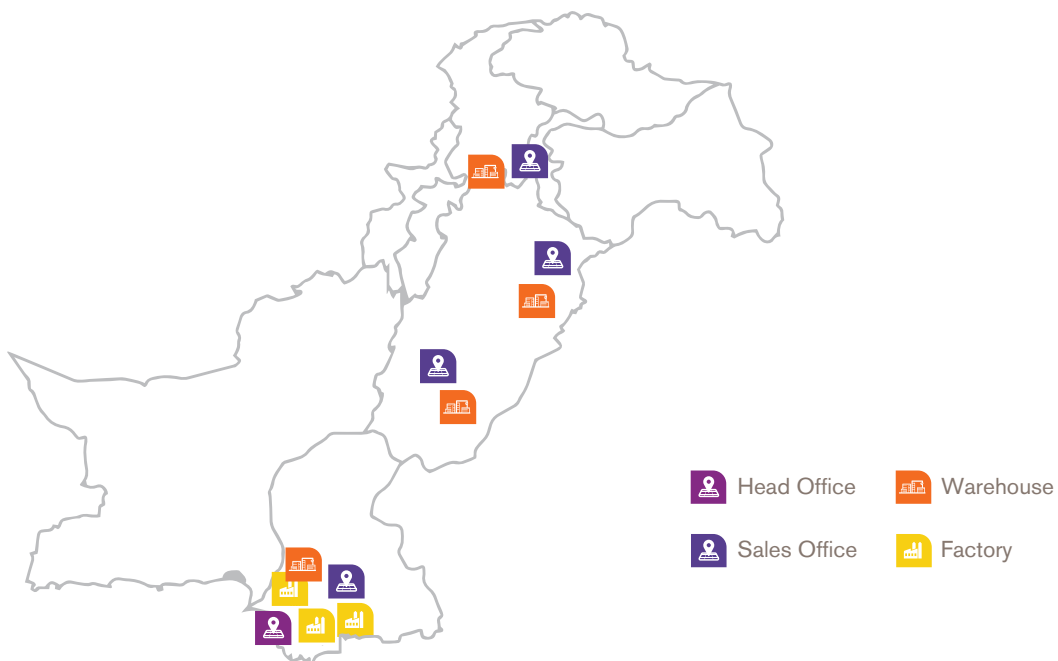


PAKISTAN MARKET OVERVIEW

Archetype and Players in Value Chain



📍 Biologicals 📍 Corporate 📍 Consumer Healthcare 📍 GMS 📍 Pharmaceuticals 📍 Research and Development



DIRECTORS' REPORT TO SHAREHOLDERS

The Directors of GlaxoSmithKline Pakistan Limited (the "Company") are pleased to present the unaudited financial information of your Company for the nine months period ended September 30, 2021. This financial information is submitted in accordance with Section 227 of the Companies Act, 2017.

Business Environment:

Pharma industry is experiencing a strong growth buoyed by local companies especially over the last quarter driven primarily by a shift in prescriptions linked to COVID and a lower base LY on account of lockdowns. This is despite the uncertainty prevailing in the market, posing challenges to economy and healthcare driven by the COVID-19 pandemic and more recently the pharmacy's strikes against tax reforms. The evolving situation of Afghanistan, the resultant decline of medical tourism in the north adds to the uncertainty.

GSK Pakistan Limited (the Company) has made continuous efforts to enhance its performance by focusing on ensuring people safety, employee engagement and business continuity. These efforts are underpinned by uncompromising focus on ethics and business integrity, quality, safety, risk management and internal controls.

Your Company has accelerated its field force activities in Q3 and remained active on ground. We continued to leverage our accelerated digital transformation to effectively engage with Health Care Professionals (HCPs).

Review of Operating Results:

Your Company recorded PKR 26.6 billion turnover for the nine months ended September 30, 2021. In Q3 2020 our sales also included stock build with the distributor, as we migrated to SAP ERP system. Underlying growth excluding this one-off stock built and Consumer portfolio the company has delivered a healthy underlying growth of 9% mainly driven by price increase and strong performance in certain portfolios including Vates. The total turnover also includes intercompany sales to GlaxoSmithKline Consumer Healthcare Pakistan Limited (GSK CH) on account of products manufactured by the Company for which market authorization rights remain with the Company. During this period, sales of Rs. 0.75 billion were recorded as intercompany sales compared to Rs. 0.97 billion over the same period last year. The downside is due to the transfers of market authorization rights of majority SKUs to GSK CH.

Your Company posted a profit after tax of Rs. 2.90 billion. The higher Gross profit % this year was due to CPI price increase, cost efficiency initiatives by supply sites coupled

with lower tenders translating down to higher Operating profit. The expenses remained consistent, leveraging the P&L strongly.

During the year, the Company redeployed its sales force investing behind strategically prioritized brands for portfolio simplification and enhanced focus thus improving product contribution and improving shareholders value generation.

As a result, Earnings per share for this period improved to Rs. 9.11 as compared to Rs. 7.44 over the corresponding period last year.

Outlook and Challenges

With the pandemic, the Government focused on managing the repeated COVID-19 infection waves through implementing a mass vaccination campaign, expanding its cash transfer program, providing accommodative monetary conditions to sustain economic growth and widening tax net through new tax reforms. These measures allowed economic activity to continue thereby mitigating any economic fallout.

The Federal Government vide Tax Laws (Third Amendment) Ordinance, 2021 (enacted September 15, 2021) imposed a requirement of digital payments by Corporate Sector with an intention to improve documentation of economy. However, owing to lack of total digital readiness by various taxpayers, such deadline has been extended to November 1, 2021. The scenario is still evolving and we shall continue to closely monitor any developments.

The third quarter turned volatile and the country's economic indicators took a downturn resulting in significant widening in trade deficit. This triggered a slide in the Pak Rupee to an all-time low level against the greenback, hence, raising concerns over future CPI readings. To address the concerns, central bank has shifted the focus from growth to sustainability and resumed its monetary tightening from Sep'21 by hiking the policy rate by 25bps to 7.25% effective October 1, 2021.

In spite of all of the above, the Company remains focused on delivering its long-term priorities of Innovation, Performance, Trust and Culture. Our sales offices have now re-opened for F2F meetings and the field force is increasing F2F interactions to effectively communicate the science

behind the medicine. We hope to sustain the growth trajectory by ensuring market share recovery in key therapy area like Antibiotics, in addition to driving strong growth by investing in core brands effectively.

We continue to remain fully committed to talent development and to keep our employees, business partners and affiliated communities safe during these demanding times.

Composition of the Board:

The total number of Directors are 7, with the following breakup:

Male: 5

Female: 2

The composition of the Board is as follows:

Category	Name
Independent Directors	<ul style="list-style-type: none"> • Maheen Rahman • Muneer Kamal
Executive Directors	<ul style="list-style-type: none"> • Erum Shakir Rahim • Hasham Baber
Non-Executive Directors	<ul style="list-style-type: none"> • Mehmood Mandviwalla • Dmytro Oliinyk • Mark Dawson

The Board has formed committees comprising of members given below:

a) Audit Committee

- | | |
|--------------------------|-------------|
| i. Muneer Kamal | - Chairman |
| ii. Maheen Rahman | - Member |
| iii. Mehmood Mandviwalla | - Member |
| iv. Dmytro Oliinyk | - Member |
| v. Mark Dawson | - Member |
| vi. Syed Ahsan Ejaz | - Secretary |

b) HR and Remuneration Committee

- | | |
|-------------------------|---------------|
| i. Maheen Rahman | - Chairperson |
| ii. Mehmood Mandviwalla | - Member |
| iii. Dmytro Oliinyk | - Member |
| iv. Mark Dawson | - Member |
| v. Erum Shakir Rahim | - Member |
| vi. Farqaleet Iqbal | - Secretary |

c) Disclosure Committee

- | | |
|----------------------|---------------|
| i. Erum Shakir Rahim | - Chairperson |
| ii. Dmytro Oliinyk | - Member |
| iii. Mehar Ameer | - Member |
| iv. Hasham Baber | - Secretary |

Other Committees Include:

a) Risk Management & Compliance Board

RMCB – consisting of GSK Pakistan Management Team

Remuneration Policy of GSK Pakistan Limited for Non-Executive Board Directors

The external Non-Executive Board Directors of GlaxoSmithKline Pakistan Limited are entitled to remuneration approved by the HR and Remuneration Committee, based on an appropriately developed market benchmark.

Acknowledgment:

Your Directors place on record their deep appreciation to employees at all levels for their hard work, dedication and commitment. In this period of extreme uncertainty, the employees and associates of your Company have extended their relentless support and made significant contribution to ensure uninterrupted supply of medicines to patients across the country. We also acknowledge the support of the many 3rd parties we work with and without whom it would not have been possible to sustain operations in such a challenging environment.

By order of the Board



Erum Shakir Rahim
Chief Executive Officer

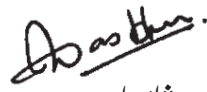


Hasham Baber
Chief Financial Officer

Karachi
October 25, 2021

اپنا شاندار کردار ادا کیا۔ ہم بے شمار فریقین ثالث کے تعاون پر ان کا بھی شکریہ ادا کرتے ہیں، جن کے ساتھ ہم نے کام کیا اور جن کے بغیر ہمارے لیے اتنے مشکل حالات میں اپنی سرگرمیاں جاری رکھنا کبھی ممکن نہ ہوتا۔

حسب الحکم بورڈ



ہشام بابر
چیف فنانشل آفیسر



ارم شاہ کریم
چیف ایگزیکٹو آفیسر

کراچی

25 اکتوبر، 2021ء

(b) ہیومن ریسورس اور مشاہرہ کمیٹی

- i - ماہین رحمان - چیئر پرسن
- ii - محمود مانڈوی والا - ممبر
- iii - ڈیماسٹر اولینک - ممبر
- iv - مارک ڈاسن - ممبر
- v - ارم شا کر رجم - ممبر
- vi - فرقلیت اقبال - سیکریٹری

(c) ڈسکلوزر کمیٹی

- i - ارم شا کر رجم - چیئر پرسن
- ii - ڈیماسٹر اولینک - ممبر
- iii - مہرامیر - ممبر
- iv - ہشام باہر - سیکریٹری

• دیگر کمیٹیز میں شامل ہیں:

(a) رسک مینجمنٹ اینڈ کمپلائنس بورڈ

- i - GSK - RMCB پاکستان مینجمنٹ ٹیم پر مشتمل

نان ایگزیکٹو بورڈ ڈائریکٹرز کے لیے GSK پاکستان لمیٹڈ کی مشاہرہ پالیسی

گلیکسو اسمتھ کلائن پاکستان لمیٹڈ کے ایکسٹرنل نان ایگزیکٹو بورڈ ڈائریکٹرز، ہیومن ریسورس اور مشاہرہ کمیٹی کی جانب سے منظور کردہ مشاہرے کا استحقاق رکھتے ہیں، جو کہ موزوں طور پر مقرر شدہ مارکیٹ کے معیار پر مبنی ہے۔

ستائشی کلمات:

آپ کے ڈائریکٹرز ہر سطح پر ملازمین کی محنت، خلوص اور کاوشوں پر ان کا دل کی گہرائیوں سے شکریہ ادا کرتے ہیں۔ انتہائی غیر یقینی حالات میں، آپ کی کمپنی کے ملازمین اور ایسوسی ایٹس نے اپنا گراں قدر تعاون پیش کیا اور ملک بھر میں مریضوں کے لیے ادویات کی بلا خلل فراہمی کو یقینی بنانے میں

ہم صلاحیتوں کے فروغ اور اپنے ملازمین، کاروباری شرکاء اور الحاقی کمیونٹیز کو ان مشکل حالات میں محفوظ رکھنے کے لیے مکمل طور پر مسلسل کوشاں ہیں۔

بورڈ کی تشکیلی ساخت:

• ڈائریکٹرز کی مجموعی تعداد درج ذیل کے مطابق 7 ہے:

(a) مرد: 5

(b) خواتین: 2

• بورڈ کی تشکیلی ساخت ذیل میں دی گئی ہے:

کیٹگری

نام

• ماہین رحمان

• منیر کمال

خود مختار ڈائریکٹرز

• ارم شا کر رحیم

• ہشام باہر

ایگزیکٹیو ڈائریکٹرز

• محمود مائڈوی والا

• ڈیما سٹر اولینک (Dmytro Oliinyk)

• مارک ڈاسن (Mark Dawson)

نان ایگزیکٹیو ڈائریکٹرز

• بورڈ نے درج ذیل ارکان پر مشتمل کمیٹی تشکیل دی ہیں:

(a) آڈٹ کمیٹی

i - منیر کمال - چیئر مین

ii - ماہین رحمان - ممبر

iii - محمود مائڈوی والا - ممبر

iv - ڈیما سٹر اولینک - ممبر

v - مارک ڈاسن - ممبر

vi - سید احسن اعجاز - سیکریٹری

سائنس کی جانب سے مؤثر بلحاظ لاگت کے اقدامات اور اس کے ساتھ نسبتاً پست ٹینڈرز تھے جو زیادہ عملی منافع کا سبب بنے۔ اخراجات مستحکم رہے، جنہوں نے P&L کو بھرپور لیوریج دیا۔

دوران سال، کمپنی نے حکمت عملی کے ساتھ سرمایہ کاری کرتے ہوئے اپنی سیلز فورس کو دوبارہ تعینات کیا، پورٹ فولیو کی سادگی کے لیے برانڈز کو ترجیحی بنیادوں پر استوار کیا اور مطمح نظر میں اضافہ کیا جس کی بدولت پراڈکٹ کنٹری بیوشن اور شیئر ہولڈرز کی ویلیو جزییشن میں بہتری آئی۔

نتیجہً، نو ماہ کی فی حصص آمدنی بہتر ہو 9.11 کر ہو گئی جو کہ گزشتہ سال کی اسی مدت میں 7.44 روپے تھی۔

پیش منظر اور مسائل

وباء کے حوالے سے، حکومت نے بڑے پیمانے پر ویکسی نیشن مہم کے نفاذ، اپنے کیش منتقلی پروگرام کی توسیع، مستحکم معاشی ترقی کے لیے موافق مالی حالات کی فراہمی اور نئی ٹیکس اصلاحات کے ذریعے بعد از ٹیکس منافع میں اضافے کی بدولت COVID-19 کی نئی آنے والی لہروں سے نمٹنے پر توجہ مرکوز کی ہے۔ ان اقدامات سے معاشی سرگرمی جاری رہی اور کسی بھی معاشی انہدام کے خطرے کو کم کرنے میں مدد ملی۔

وفاقی حکومت بحوالہ ٹیکس کے قوانین (تیسری ترمیم) آرڈیننس، 2021ء (وضع کردہ بتاریخ 15 ستمبر، 2021ء) نے معیشت کے دستاویزی عمل کی بہتری کے ارادے سے کارپوریٹ سیلٹر کی جانب سے ڈیجیٹل ادائیگیوں کی شرط عائد کی۔ تاہم، بے شمار ٹیکس دہندگان کی مکمل ڈیجیٹل تیاری نہ ہونے کے باعث اس کی حتمی تاریخ کو بڑھا کر یکم نومبر 2021ء کر دیا گیا ہے۔ یہ صورتحال ابھی ارتقاء پذیر ہے اور ہم تمام پیشرفت کی باریک بینی سے نگرانی جاری رکھیں گے۔

تیسری سہ ماہی اتار چڑھاؤ کا شکار رہی اور ملک کے معاشی عوامل تنزلی کی جانب گامزن ہوئے، جس کے نتیجے میں تجارتی خسارہ خاطر خواہ حد تک بڑھ گیا۔ اس کے باعث گرین بیک کے مقابلے میں پاکستانی روپے کی قدر تاریخ میں پست ترین سطح پر پہنچ گئی، چنانچہ مستقبل کی سی پی آئی ریڈنگز پر بھی خدشات نے جنم لیا ہے۔ ان خدشات سے نمٹنے کے لیے، مرکزی بینک نے اپنی توجہ بڑھوتری سے استحکام کی طرف منتقل کر دی ہے، اور یکم اکتوبر 2021ء سے نافذ العمل پالیسی کی شرح کو 25 پی پی ایس سے بڑھا کر 7.25 فیصد کر کے ستمبر 2021ء سے اپنی مانیٹری ٹائٹنگ کا دوبارہ آغاز کیا ہے۔

مذکورہ بالا تمام تر عوامل کے باوجود، کمپنی جدت انگیزی، کارکردگی، اعتماد اور روایت کی اپنی طویل المیعاد ترجیحات کی فراہمی پر توجہ مرکوز کیے ہوئے ہے۔ ہمارے سیلز کے دفاتر اب F2F مینٹنگز کے لیے دوبارہ کھل چکے ہیں اور فیلڈ کا عملہ ادویات کے پس پشت تحقیق و دلائل کے مؤثر ابلاغ کے لیے F2F رابطے بڑھا رہا ہے۔ ہم اہم معالجاتی شعبے، جیسے کہ اینٹی بائیوٹکس میں مارکیٹ شیئر کی بحالی، اور اس کے علاوہ بنیادی برانڈز میں مؤثر سرمایہ کاری کے ذریعے بھرپور بڑھوتری کو یقینی بناتے ہوئے ترقی کے مدار کے استحکام کے لیے پُر امید ہیں۔

ڈائریکٹرز کا جائزہ:

گلکسوا سمیٹھ کلائن پاکستان لمیٹڈ ("کمپنی") کے ڈائریکٹرز آپ کی کمپنی کی غیر آڈٹ شدہ مالیاتی معلومات برائے مدت اختتام 30 ستمبر 2021ء پیش کرتے ہوئے انتہائی مسرت محسوس کر رہے ہیں۔ یہ مالیاتی معلومات کمپنیز ایکٹ 2017ء کے سیکشن 227 کے مطابق جمع کروائی گئی ہیں۔

کاروباری ماحول:

فارما انڈسٹری، خصوصاً گزشتہ سہ ماہی سے مقامی کمپنیوں کی جانب سے شاندار گروتھ پارہی ہے جس کا سبب بنیادی طور پر COVID سے منسلک تشخیصات میں منتقلی اور لاک ڈاؤنز کے باعث پست تر اساسی ہے۔ حالانکہ مارکیٹ بے یقینی کی کیفیت سے دوچار ہے، COVID-19 کی وباء کے باعث معیشت اور صحت عامہ کے شعبے کے لیے مسائل پیش آرہے ہیں اور حال ہی میں ٹیکس اصلاحات کے لیے فارمیسی کی جانب سے ہڑتالیں بھی کی گئی ہیں۔ افغانستان میں بدلتی ہوئی صورتحال بھی ایک عامل ہے، جس کے نتیجے میں شمالی علاقوں میں میڈیکل ٹورزم میں کمی نے بھی بے یقینی کی کیفیت پیدا کرنے میں اپنا کردار ادا کیا ہے۔

GSK پاکستان لمیٹڈ (کمپنی) لوگوں کے تحفظ، ملازمین کی شرکت عمل اور کاروباری تسلسل کو یقینی بنانے پر توجہ مرکوز رکھنے کی غرض سے اپنی کارکردگی میں اضافے کے لیے مسلسل کاوشیں عمل میں لائی ہیں۔ ان کوششوں کو اخلاقی و کاروباری دیانت، معیار، تحفظ، رسک مینجمنٹ اور انٹرئل کنٹرولز کی معاونت حاصل ہے۔

آپ کی کمپنی تیسری سہ ماہی میں فیلڈ عملے کی سرگرمیوں میں تیزی لائی ہے اور پوری طرح مستعد رہی ہے۔ ہم ہیلتھ کیئر پرفیشنلز (HCPs) کے ساتھ موثر شرکت عمل کے لیے اپنی تیز رفتار ڈیجیٹل منتقلی سے بھرپور استفادہ کر رہے ہیں۔

عملی نتائج کا جائزہ:

کمپنی نے 30 ستمبر، 2021ء کو ختم ہونے والے نو ماہ کے دورانیے میں 26.6 بلین روپے کی آمدنی حاصل کی۔ 2020ء کی تیسری سہ ماہی میں، ہماری سیلز میں ڈسٹری بیوٹر کے ساتھ اسٹاک بلڈ بھی شامل تھا، کیونکہ ہم SAP ERP سسٹم میں منتقل ہوئے تھے۔ اس ون آف اسٹاک پلٹ اور کنزیومر پورٹ فولیو کے علاوہ ضمنی گروتھ کے ساتھ کمپنی نے 9 فیصد کی صحت مند ضمنی گروتھ حاصل کی جس کا بنیادی سبب قیمت میں اضافہ اور مخصوص پورٹ فولیوز بشمول ویٹس میں مستحکم کارکردگی تھی۔ مجموعی آمدنی میں گلکسوا سمیٹھ کلائن کنزیومر ہیلتھ کیئر پاکستان لمیٹڈ (GSK CH) کو کمپنی کی جانب سے تیار کردہ اُن مصنوعات کی مد میں کی جانے والی باہمی کمپنی سیلز بھی شامل ہیں جن کے مجاز بازاری حقوق کمپنی کے پاس ہیں۔ اس میعاد کے دوران، 0.75 بلین روپے کی سیلز کو گزشتہ سال کی اسی مدت کے دوران ہونے والی 0.97 بلین روپے کے مقابلے میں باہمی کمپنی سیلز کے طور پر ریکارڈ کیا گیا۔ تنزیلی کار، حجام اکثریتی SKUs کے مجاز بازاری حقوق کی GSK کنزیومر ہیلتھ کیئر کو منتقلی کے باعث سامنے آیا۔

کمپنی نے بعد از ٹیکس 2.90 بلین روپے کا منافع حاصل کیا۔ اس حاصل ہونے والے زیادہ مجموعی منافع کی وجہ سے پی آئی قیمت میں اضافہ، سپلائی



CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at September 30, 2021

Rupees '000	Note	(Un-audited) September 30, 2021	(Audited) December 31, 2020
ASSETS			
Non-current assets			
Property, plant and equipment	4	10,051,787	9,936,002
Intangibles	5	991,742	991,742
Long-term loans to employees		63,883	72,838
Long-term deposits		22,010	22,010
		<u>11,129,422</u>	<u>11,022,592</u>
Current assets			
Stores and spares		195,918	194,317
Stock-in-trade		7,832,487	5,743,506
Trade receivables		1,772,451	1,204,143
Loans and advances		340,374	378,482
Trade deposits and prepayments		210,535	307,293
Interest accrued		-	3,097
Taxation - payments less provision		-	41,798
Refunds due from government		45,802	44,643
Other receivables		743,625	998,067
Investments - at amortised cost		495,152	447,525
Cash and bank balances		<u>5,020,802</u>	<u>5,604,548</u>
		16,657,146	14,967,419
Assets of disposal groups classified as held for sale / disposal			
		81,985	81,985
Total assets		<u>27,868,553</u>	<u>26,071,996</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital		3,184,672	3,184,672
Reserves		15,124,570	14,293,592
		<u>18,309,242</u>	<u>17,478,264</u>
LIABILITIES			
Non-current liabilities			
Staff retirement benefits		587,041	508,622
Deferred taxation		723,760	674,967
Long-term portion of lease liabilities		31,623	31,559
		<u>1,342,424</u>	<u>1,215,148</u>
Current liabilities			
Trade and other payables	6	7,352,873	7,215,123
Taxation - provision less payments		678,224	-
Provisions	7	35,691	38,964
Current portion of lease liabilities		23,388	7,778
Unclaimed dividend		126,711	116,719
		<u>8,216,887</u>	<u>7,378,584</u>
Total liabilities		<u>9,559,311</u>	<u>8,593,732</u>
Total equity and liabilities		<u>27,868,553</u>	<u>26,071,996</u>
Contingencies and commitments			
	8		

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

Chief Executive

Chief Financial Officer

Director

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Nine months ended September 30, 2021 (Unaudited)

Rupees '000	Note	Quarter ended		Nine months ended	
		September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Revenue from contracts with customers	9	9,825,226	10,812,709	26,576,829	26,585,018
Cost of sales		(7,092,566)	(8,239,694)	(19,593,097)	(20,551,253)
Gross profit		2,732,660	2,573,015	6,983,732	6,033,765
Selling, marketing and distribution expenses	10	(777,895)	(687,941)	(2,162,980)	(2,096,002)
Administrative expenses		(330,921)	(307,117)	(1,004,783)	(1,072,382)
Other operating expenses		(154,417)	(161,724)	(378,627)	(327,793)
Other income	11	358,274	473,070	982,768	1,280,653
Operating profit		1,827,701	1,889,303	4,420,110	3,818,241
Financial charges		(59,896)	(29,482)	(65,896)	(48,623)
Profit before taxation		1,767,805	1,859,821	4,354,214	3,769,618
Taxation		(572,602)	(733,680)	(1,453,199)	(1,400,129)
Profit after taxation		1,195,203	1,126,141	2,901,015	2,369,489
Other comprehensive loss					
Items that will not be reclassified to statement of profit or loss					
Remeasurement of staff retirement benefits		-	(337,331)	-	(337,331)
Impact of taxation		-	97,655	-	97,655
		-	(239,676)	-	(239,676)
Total comprehensive income		1,195,203	886,465	2,901,015	2,129,813
Earnings per share	12	Rs. 3.75	Rs. 3.54	Rs. 9.11	Rs. 7.44

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


Chief Executive


Chief Financial Officer


Director



CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

For the Nine months ended September 30, 2021 (Unaudited)

Rupees ‘000	Share capital	Reserves				Total
		Capital reserve	Revenue Reserves		Total Reserves	
		Reserve arising on Schemes of Arrangements	General reserve	Unappropriated profit		
Balance as at January 1, 2020	3,184,672	1,126,923	3,999,970	7,825,831	12,952,724	16,137,396
Final dividend for the year ended December 31, 2019 @ Rs. 6 per share	-	-	-	(1,910,804)	(1,910,804)	(1,910,804)
Total comprehensive income for the nine months ended September 30, 2020	-	-	-	2,129,813	2,129,813	2,129,813
Balance as at September 30, 2020	3,184,672	1,126,923	3,999,970	8,044,840	13,171,733	16,356,405
Balance as at January 1, 2021	3,184,672	1,126,923	3,999,970	9,166,699	14,293,592	17,478,264
Final dividend for the year ended December 31, 2020 @ Rs. 6.5 per share	-	-	-	(2,070,037)	(2,070,037)	(2,070,037)
Profit after taxation for the nine months ended September 30, 2021	-	-	-	2,901,015	2,901,015	2,901,015
Remeasurement of staff retirement benefits - net of tax	-	-	-	-	-	-
Total comprehensive income for the nine months ended September 30, 2021	-	-	-	2,901,015	2,901,015	2,901,015
Balance as at September 30, 2021	3,184,672	1,126,923	3,999,970	9,997,677	15,124,570	18,309,242

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


Chief Executive


Chief Financial Officer


Director

CONDENSED INTERIM STATEMENT OF CASH FLOWS

For the Nine months ended September 30, 2021 (Unaudited)

Rupees '000	Note	September 30, 2021	September 30, 2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	13	2,704,293	4,682,608
Staff retirement benefits paid		(95,766)	(78,138)
Income taxes paid		(684,384)	(780,423)
Mark-up paid		-	(2,353)
Decrease in long-term loans to employees		8,955	30,198
Net cash generated from operating activities		1,933,098	3,851,892
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(733,111)	(819,728)
Proceeds from sale of operating assets		87,151	37,175
Return received		246,007	171,037
Net cash used in investing activities		(399,953)	(611,516)
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease rentals paid		(9,219)	(8,392)
Dividend paid		(2,060,045)	(1,885,338)
Net cash used in financing activities		(2,069,264)	(1,893,730)
Net decrease in cash and cash equivalents		(536,119)	1,346,646
Cash and cash equivalents at beginning of the period		6,052,073	2,689,896
Cash and cash equivalents at end of the period	14	5,515,954	4,036,542

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


Chief Executive


Chief Financial Officer


Director



NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the Nine months ended September 30, 2021 (Unaudited)

1. THE COMPANY AND ITS OPERATIONS

GlaxoSmithKline Pakistan Limited (the Company) is incorporated in Pakistan as a limited liability company and is listed on the Pakistan Stock Exchange. The registered office of the Company is situated at 35 - Dockyard Road, West Wharf, Karachi, Sindh. It is engaged in manufacturing and marketing of research based ethical specialities and pharmaceutical products.

The Company is a subsidiary of S.R. One International B.V., Netherlands, whereas its ultimate parent company is GlaxoSmithKline plc, UK (GSK Plc.).

1.1 Due to the pending transfer of marketing authorisations and permissions for certain Over the Counter (OTC) products of GlaxoSmithKline Consumer Healthcare Pakistan Limited (GSK CH) with Drug Regulatory Authority of Pakistan (DRAP), the Company, for and on behalf of GSK CH was engaged in the procurement, manufacturing and managing the related inventory and receivable balances pertaining to such products against a service fee charged by the Company. In 2020, the marketing authorisation and permissions for certain OTC products have been transferred to GSK CH and therefore, GSK CH is now involved in procurement, manufacturing and managing of such inventory items since approval date. During the nine months period ended, the marketing authorisation and permission for one OTC product has been transferred to GSK CH.

1.2 Impact of COVID - 19 on the financial statements

The coronavirus outbreak situation, during the period, was evolving in the country. Up to the date of these financial statements, the outbreak has not had a material adverse impact on the financial results of the Company. Presently, healthcare businesses have been allowed to continue their operations by both provincial and federal governments in order to ensure availability of our products in the market.

2. BASIS OF PREPARATION

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard 34: 'Interim Financial Reporting' (IAS 34), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act); and
- Provisions of and directives issued under the Act.

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.

2.1 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, 2020.

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

The following standards, amendments and interpretation are effective for the year ending December 31, 2021. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's condensed interim financial statements other than certain additional disclosures:

Effective from accounting periods beginning on or after:

Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions

June 01, 2020

Interest Rate Benchmark Reform – Phase 2
(Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

January 01, 2021

3. ACCOUNTING POLICIES

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, 2020.

3.1.2 Taxes on income are accrued using the average tax rate that is expected to be applicable to the full financial year..

3.2 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, 2020.

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, 2020.

	Note	(Un-audited) September 30, 2021	(Audited) December 31, 2020
Rupees '000			
4. PROPERTY, PLANT AND EQUIPMENT			
Operating assets	4.1	8,964,969	8,706,886
Capital work-in-progress		863,743	1,028,825
Right-of-use assets		48,482	39,191
Major spare parts and standby equipments		174,593	161,100
		<u>10,051,787</u>	<u>9,936,002</u>

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

Rupees '000	(Un-audited) Additions (at cost)	September 30, 2020	(Un-audited) Disposals (at net book value)	September 30, 2020
	September 30, 2021		September 30, 2021	
Improvements on buildings	58,289	107,949	3,559	-
Plant and machinery	510,427	142,614	14,610	2,762
Furniture and fixtures	25,124	20,866	203	-
Vehicles	190,060	135,784	23,299	21,139
Office equipments	100,799	21,815	1,537	-
	884,699	429,028	43,208	23,901

Rupees '000	Note	(Un-audited) September 30, 2021	(Audited) December 31, 2020
5. INTANGIBLES			
Goodwill		955,742	955,742
Marketing authorisation rights	5.1	36,000	36,000
		991,742	991,742

- 5.1** This includes Rs. 40.3 million paid as consideration to Novartis Pharma (Pakistan) Limited (NPPL) in respect of acquiring market authorisation rights in relation to NPPL's vaccine business and Rs. 86 million paid as consideration for acquiring market authorisation rights of Traxon from Akhai Pharmaceuticals (Private) Limited. The Company has written off Rs. 40.3 million and Rs. 50 million in respect of marketing authorisation of NPPL's vaccine business and Traxon from Akhai Pharmaceuticals (Private) Limited respectively.

Rupees '000	(Un-audited) September 30, 2021	(Audited) December 31, 2020
6. TRADE AND OTHER PAYABLES		
Creditors and bills payable	2,110,500	2,359,862
Accrued liabilities	2,921,231	3,015,468
Others	2,321,142	1,839,793
	7,352,873	7,215,123
7. PROVISIONS		
Balance at beginning of the period	38,964	78,762
Charge for the period	125,939	229,477
Payments during the period	(129,212)	(269,275)
Balance at end of the period	35,691	38,964

8. CONTINGENCIES AND COMMITMENTS

8.1 Following are the changes in the status of contingencies as reported in the audited financial statements for the year ended December 31, 2020 or new contingencies arising during the period ended September 30, 2021:

- (i) (i) During the period ended September 30, 2021, the Assessing Officer (AO), while amending the assessment of the Company for tax year 2017 under section 122(5A) of Income Tax Ordinance (Ordinance), raised demand of Rs. 801.87 million on account of disallowance of various expenses including share based compensation, certain provisions and treatment of other income under Normal Tax Regime as well as tax credit under section 65B of the Ordinance.

The Company has filed an appeal against the said Order before Commissioner Inland Revenue (Appeals) (CIRA) which is pending adjudication and has also obtained Stay Order from Sindh High Court against any recovery proceedings. Further, the Company has filed application for rectification of certain mistakes apparent in the Order passed by the AO.

- (ii) While finalizing income tax assessments in tax years 2006 and 2007, AO made certain additions to income raising tax demand of Rs 89.5 million on the contention that the Company allegedly paid excessive amounts on account of royalty and certain imported raw materials to associated undertakings.

The CIRA, vide his order dated March 12, 2021, has confirmed the tax demand which is pending adjudication before Appellate Tribunal Inland Revenue.

- (iii) During the period ended September 30, 2021 the AO, while amending the assessment of the Company for tax year 2018 under section 122(1)/(5) of the Ordinance, raised demand of Rs. 613.62 million on the contention that the Company allegedly paid excessive amounts on account of royalty and certain imported raw materials to associated undertakings. Further, various expenses were also disallowed which include share-based compensation, salaries, certain provisions, restructuring cost, Worker Welfare Fund as well as tax credit under section 65B of the Ordinance.

The Company is in process of filing appeal before CIRA and filing application for rectification of certain mistakes apparent in the Order passed by the AO.

The management is confident that the ultimate decision in the above cases will be in favour of the Company, hence, no provision has been recognised in respect of the aforementioned additional tax demands.

8.2 Commitments for capital expenditure outstanding as at September 30, 2021, amounted to Rs. 370.18 million (December 31, 2020: Rs. 252.91 million).

9. REVENUE FROM CONTRACT WITH CUSTOMERS

9.1 The net sales include sales of Over the Counter Products amounting to Rs. 0.75 billion (September 30, 2020: 0.97 billion) to GSK CH being manufactured by the Company due to pending transfer of marketing authorisations by Drug Regulatory Authority of Pakistan ('DRAP') - refer note 1.1.

10. SELLING, MARKETING AND DISTRIBUTION EXPENSES

This includes advertising and sales promotion expenses of Rs. 255.16 million (September 30, 2020: Rs. 226.23 million).

	Note	Quarter ended - Un-audited		Nine months ended - (Un-audited)	
Rupees ‘000		September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
11. OTHER INCOME					
Income from financial assets					
Return on Treasury bills		7,284	1,072	25,060	13,445
Income on savings and deposit accounts		68,679	29,982	217,850	157,104
		75,963	31,054	242,910	170,549
Income from non-financial assets					
Gain on disposal of operating assets		28,939	3,872	43,943	13,274
Others					
Exchange loss - net		(28,951)	-	-	-
Scrap sales		10,920	15,811	29,941	39,551
Promotional allowance	11.1	264,403	395,858	647,184	951,702
Liabilities no longer payable written off		-	17,978	-	79,226
Service fee		3,000	3,000	9,000	9,000
Others		4,000	5,497	9,790	17,351
		358,274	473,070	982,768	1,280,653

11.1 This represents allowance from GSK group against various promotional activities for brand building and sustainable return on investments.

Rupees ‘000	(Un-audited) September 30, 2021	(Un-audited) September 30, 2020
12. EARNINGS PER SHARE		
Profit after taxation	2,901,015	2,369,489
	Number of shares	
Weighted average number of shares outstanding during the period	318,467,278	318,467,278
Earnings per share - basic	Rs. 9.11	Rs. 7.44

12.1 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.

Rupees '000	(Un-audited) September 30, 2021	(Un-audited) September 30, 2020
13. CASH GENERATED FROM OPERATIONS		
Profit before taxation	4,354,214	3,769,618
Add / (less): Adjustments for non-cash charges and other items		
Depreciation and impairment	594,417	536,297
Provision for slow moving, obsolete and damaged stock-in-trade net of stock written off	(91,999)	31,167
Gain on disposal of operating fixed assets	(43,943)	(13,274)
Interest income	(242,910)	(170,549)
Financial charges	4,594	3,994
Provision for staff retirement benefits	174,185	236,806
Profit before working capital changes	4,748,558	4,394,059
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Stores and spares	(1,601)	(1,516)
Stock-in-trade	(1,996,982)	(737,879)
Trade receivables	(568,308)	(480,424)
Loans and advances	38,108	66,430
Trade deposits and prepayments	96,758	102,993
Refunds due from the government	(1,159)	11,860
Other receivables	254,442	405,097
	(2,178,742)	(633,439)
Increase / (decrease) in current liabilities		
Trade and other payables	137,750	926,196
Provisions	(3,273)	(4,208)
	(2,044,265)	288,549
	2,704,293	4,682,608

Rupees '000	(Un-audited) September 30, 2021	(Un-audited) September 30, 2020
14. CASH AND CASH EQUIVALENTS		
Cash and bank balances	5,020,802	3,838,419
Investments - at amortised cost	495,152	198,123
	<u>5,515,954</u>	<u>4,036,542</u>

15. TRANSACTIONS WITH RELATED PARTIES

The related parties include associated companies, directors 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 period end, other than those which have been disclosed elsewhere in these financial statements, are as follows:

Rupees '000		(Un-audited) September 30, 2021	(Un-audited) September 30, 2020
15.1	Details of transactions carried out during the period with the related parties are as follows:		
Relationship	Nature of transactions		
Holding company:	Dividend paid	1,709,693	1,578,179
Associated companies:	a. Royalty expense charged	303,143	311,212
	b. Purchase of goods	4,956,036	5,314,300
	c. Sale of goods	765,203	986,364
	d. Recovery of expenses	512,718	420,101
	e. Services fees	9,000	9,000
	f. Promotional allowance	647,184	951,702
Staff retirement	a. Payments to retirement benefit plans	210,740	199,475
Key management personnel:	a. Salaries and other employee benefits	231,873	274,796
	b. Post employment benefits	22,210	19,765
	c. Proceeds from sale of fixed assets	629	4,389

16. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial statements was approved and authorised for issue by the Board of Directors of the Company on October 25, 2021.


Chief Executive


Chief Financial Officer


Director



GlaxoSmithKline Pakistan Limited

35 - Dockyard Road, West Wharf, Karachi - 74000
GlaxoSmithKline Pakistan Limited of a member of
GlaxoSmithKline group of Companies.

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