



Calibrating Precision

GSK Pakistan Limited
Half Yearly Report
2021

CORPORATE INFORMATION

As at June 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

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

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

Disclosure Committee

Ms. Erum Shakir Rahim
Chairperson

Mr. Dmytro Oliinyk
Member

Ms. Mehar-e-daraksha Ameer
Member

Mr. Hasham Baber*
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

* Mr. Hasham Baber was appointed as CFO and Executive Director of GSK Pakistan Limited on June 1, 2021



Sykes Building

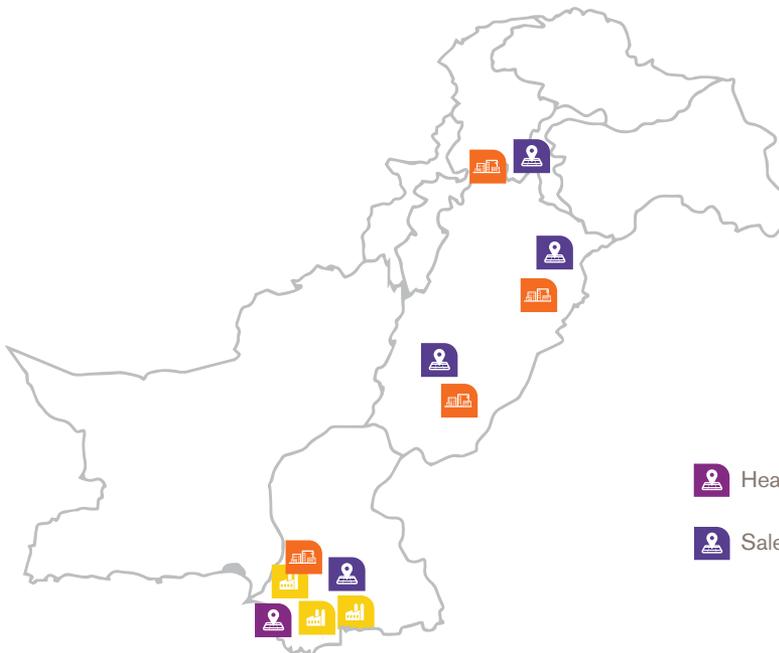


PAKISTAN MARKET OVERVIEW

Archetype and Players in Value Chain



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



📍 Head Office 📍 Warehouse
📍 Sales Office 📍 Factory

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 period ended June 30, 2021. This financial information is submitted in accordance with Section 227 of the Companies Act, 2017.

Business Environment:

The COVID-19 pandemic continues to pose challenges, straining healthcare infrastructure and adversely affecting society and the economy. Despite these challenges, GSK Pakistan remained resilient and focused on ensuring people safety, employee engagement and business continuity. The agility of our teams enabled us to efficiently fulfill our responsibility of uninterrupted supply of quality medicines to patients and customers across the country.

Our new and robust model developed and implemented under global guidance allowed our teams in supply chain, in the field and across the commercial organization to ensure our products reached the patients. The Company's foresight in adopting the "new normal" by accelerating digital transformation and consolidating its reach through Multi channel marketing helped us connect with more HCPs, whilst ensuring adherence to all COVID-19 safety protocols across all teams.

Patient footfall remained low due to smart lockdowns. However, we are closely monitoring the situation and applying our experience from prior waves to mitigate the impact of such circumstances.

During the half year, the company successfully concluded its Audit and Assurance review by GSK Group Audit team with no major findings.

Review of Operating Results:

The Company recorded a turnover of PKR 16.8 billion for the half year ended June 30, 2021 showing an upside of 6% (underlying excluding consumer 8%) driven by price increase and activity in the field vs same period last year which was under lockdown. Vates portfolio led the growth for the Company. 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. This year sales of Rs. 0.48 billion was recorded as intercompany sales compared to Rs. 0.71 billion in the same period last year. The downside is due to the transfers of market authorization rights of majority SKUs to GSK CH.

The Company posted a profit after tax of Rs. 1.7 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.

In Q2 the company redeployed its Sales force investing behind strategically prioritized brands for portfolio simplification & enhanced focus thus improving product contribution and improving shareholders value generation.

As a result, Earnings per share improved to Rs. 5.35 as compared to Rs. 3.90 in the corresponding period last year.

Outlook and Challenges

Government via Finance Act 2021 (effective July 1, 2021) implemented a law which necessitated distributors to charge Advance Income Tax (0.5% for filers; 1% for non filers) to pharmacies with an intention to widen the tax net. This in turn led to widespread protest from pharmacy associations and resulting purchasing impact. The scenario is still evolving and we shall continue to closely monitor and try to mitigate any negative impact.

The foreign currency exchange rate remains a critical factor for our cost of production. The Pak Rupee weakens against the greenback due to rising imports of the Country showing signs of increased cost of production for the Company in the future. Expectations are that the rupee might remain under pressure due to the widening current account deficit and rising international oil prices.

The amendments made to the Drug Pricing Policy whereby automatic annual CPI price mechanism now requires the formal approval of DRAP is also concerning and needs to be closely gauged for impact and mitigation.

In spite of all of the above and the ongoing 4th wave of COVID-19 and smart lockdowns across the country, the Company remains focused on delivering its long-term priorities of Innovation, Performance, Trust and Culture. 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 be fully committed to talent development and to keep our employees, business partners and communities safe during these demanding times.

Composition of the Board:

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

- a) Male: 5
- b) 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 and Compliance Board

RMCB – consisting of GSK Pakistan Management Team

* Mr. Hasham Baber was appointed as Chief Financial Officer and Executive Director of GSK Pakistan Limited on June 01, 2021.

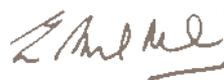
Remuneration Policy of GSK Pakistan Limited for Non-Executive Board Directors

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:

On behalf of the Board we would like to thank the entire GSK team for their outstanding contribution in ensuring un-interrupted operations in such un-precedented times. We also acknowledge the support of the many 3rd parties we work with and without whom it would not have been possible to continue our operations in such a challenging environment.

By order of the Board



Erum Shakir Rahim
Chief Executive Officer



Hasham Baber
Chief Financial Officer

Karachi
August 23, 2021

* محترم ہشام بابر کو GSK پاکستان لمیٹڈ میں یکم جون 2021ء کو چیف فنانشل آفیسر و ایگزیکٹو ڈائریکٹر مقرر کیا گیا ہے۔

• دیگر کمیٹیوں میں شامل ہیں:

(a) رسک مینجمنٹ اور کمپلائنس بورڈ

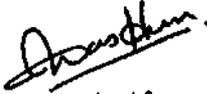
i - GSK - RMCB پاکستان مینجمنٹ ٹیم پر مشتمل

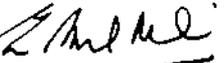
نان ایگزیکٹو بورڈ ڈائریکٹرز کے لیے GSK پاکستان لمیٹڈ کی مشاہرہ پالیسی گلیکو اسمتھ کلائن پاکستان لمیٹڈ کے ایکسٹرنل نان ایگزیکٹو بورڈ ڈائریکٹرز، افرادی قوت اور معاوضہ کمیٹی کی جانب سے منظور کردہ مشاہرے کا استحقاق رکھتے ہیں، جو کہ موزوں طور پر مقرر شدہ مارکیٹ کے معیار پر مبنی ہے۔

ستائشی کلمات:

بورڈ کی طرف سے ہم تمام تر GSK ٹیم کا شکریہ ادا کرتے ہیں جس نے اس آفت زدہ اور مشکل حالات میں بلا تعطل سرگرمیوں کو یقینی بنانے میں 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 شاکر رحیم
چیف ایگزیکٹو آفیسر

کراچی

اگست 23، 2021ء

ایگزیکٹو ڈائریکٹرز

- ارم شا کر رحیم
- ہشام بابر*

نان ایگزیکٹو ڈائریکٹرز

- محمود مانڈوی والا
- ڈیماٹرو اولینک (Dmytro Oliinyk)
- مارک ڈاسن (Mark Dawson)

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

(a) آڈٹ کمیٹی

- i منیر کمال - چیئر مین
- ii مابین رحمان - ممبر
- iii محمود مانڈوی والا - ممبر
- iv ڈیماٹرو اولینک - ممبر
- v مارک ڈاسن - ممبر
- vi سید احسن اعجاز - سیکریٹری

(b) ہیومن ریسورس اور مشاہرہ کمیٹی

- i مابین رحمان - چیئر پرسن
- ii محمود مانڈوی والا - ممبر
- iii ڈیماٹرو اولینک - ممبر
- iv مارک ڈاسن - ممبر
- v ارم شا کر رحیم - ممبر
- vi فرقیت اقبال - سیکریٹری

(c) ڈسکلوزر کمیٹی

- i ارم شا کر رحیم - چیئر پرسن
- ii ڈیماٹرو اولینک - ممبر
- iii مہر امیر - ممبر
- iv ہشام بابر* - سیکریٹری

دوسری سہ ماہی میں 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 مطمع نظر میں اضافہ کیا جس کی بدولت پراڈکٹ کنٹری بیوشن اور شیئر ہولڈرز کی ویلیو جزییشن میں بہتری آئی۔ نتیجتاً، اس ششماہی کی فی حصص آمدنی بہتر ہو کر 5.35 ہو گئی جو کہ گزشتہ سال کی اسی مدت میں 3.90 روپے تھی۔

پیش منظر اور مسائل

حکومت نے فنانس ایکٹ 2021ء (نافذ العمل یکم جولائی، 2021ء) کے ذریعے ایک قانون نافذ کیا ہے جس نے ٹیکس کی وصولی میں توسیع کی غرض سے ڈسٹری بیوٹرز کے لیے لازم قرار دیا ہے کہ فارمیسیز سے پیشگی آنکم ٹیکس (فائلرز کے لیے 0.5 فیصد، نان فائلرز کے لیے 1 فیصد) وصول کیا جائے۔ اس سے فارمیسی ایسوسی ایشنز کی جانب سے بڑے پیمانے پر احتجاج سامنے آیا اور خریداری کے اثر کی صورت میں برآمد ہوا۔ یہ معاملہ ابھی بھی جاری ہے اور ہم اس کا باریک بینی سے جائزہ لے کر کسی بھی منفی اثر کو کم کرنے کی کوشش کریں گے۔

ہماری پیداواری لاگت کے لیے غیر ملکی کرنسی کی شرح مبادلہ بدستور ایک اہم عامل ہے۔ ملک کی بڑھتی ہوئی درآمدات کے باعث امریکی ڈالر کے مقابلے میں پاکستانی روپیہ کمزور ہوا ہے جو کہ مستقبل میں کمپنی کی پیداواری لاگت میں اضافے کا عندیہ ہے۔ توقعات یہ ہیں کہ اکاؤنٹ کے موجودہ بڑھتے ہوئے خسارے اور تیل کی عالمی قیمتوں میں اضافے کے باعث روپیہ دباؤ میں رہ سکتا ہے۔

ادویات کی قیمتوں کی پالیسی میں ترامیم کے باعث سالانہ سی پی آئی قیمت کے خود کار میکیزم کو اب DRAP کی درکار، باضابطہ منظوری بھی پریشان کن ہے اور اثر و تخفیف کے لیے اس کا باریک بینی سے جائزہ لینے کی ضرورت ہے۔

مذکورہ بالا تمام تر عوامل اور COVID-19 کی جاری چوتھی لہر اور ملک بھر میں اسمارٹ لاک ڈاؤنز کے باوجود، کمپنی جدت انگیزی، کارکردگی، اعتماد اور روایت کی اپنی طویل المیعاد ترجیحات کی فراہمی پر توجہ مرکوز کیے ہوئے 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 گروتھ کو یقینی بناتے ہوئے ترقی کے مدار کے استحکام کے لیے پُر امید ہیں۔

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

• خود مختار ڈائریکٹرز

نام

• ماہین رحمان

• منیر کمال

ڈائریکٹرز کا جائزہ:

گلیکسو اسمتھ کلائن پاکستان لمیٹڈ ("کمپنی") کے ڈائریکٹرز آپ کی کمپنی کی غیر آڈٹ شدہ مالیاتی معلومات برائے مدتِ اختتام 30 جون 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:

COVID-19 کی وباء تاحال مشکلات کا باعث بنی ہوئی ہے، صحتِ عامہ کا انفراسٹرکچر دباؤ کا شکار ہے، اور معاشرے اور معیشت پر منفی اثرات مرتب ہو رہے ہیں۔ ان مشکلات کے باوجود، GSK پاکستان ثابت قدم رہا ہے اور لوگوں کے تحفظ، ملازمین کی شرکتِ عمل اور کاروباری تسلسل کو یقینی بنانے پر توجہ مرکوز رکھے ہوئے ہے۔ ہماری ٹیموں کی مستعدی و جانفشانی نے ہمیں ملک بھر میں مریضوں اور کسٹمرز کو معیاری ادویات کی بلا تعطل فراہمی کی اپنی ذمہ داری کی موثر تکمیل کا اہل بنایا ہے۔

عالمی رہنمائی کے تحت تخلیق اور نافذ کردہ ہمارے نئے اور مستحکم ماڈل نے سپلائی چین، فیملڈ اور پورے تجارتی ادارے میں موجود ہماری ٹیموں کو اس قابل بنایا کہ وہ ہماری پراڈکٹس کی مریضوں تک رسائی کو یقینی بنائیں۔ کمپنی نے بیش بینی سے کام لیتے ہوئے ڈیجیٹل ذرائع میں تبدیلی کی رفتار میں اضافے اور اپنی رسائی کو مارکیٹنگ کے مختلف ذرائع کی بدولت مستحکم کر کے "معمولات کی بحالی" کے حوالے سے خود کو ڈھالا ہے جس سے ہمیں HCPs کے ساتھ منسلک ہونے میں زیادہ مدد ملی ہے، جبکہ اس کے ساتھ ساتھ تمام ٹیموں کے مابین COVID-19 کے حفاظتی مراعات کی تعمیل کو بھی یقینی بنایا گیا ہے۔

اسمارٹ لاک ڈاؤنز کے باعث مریضوں کی تعداد بدستور کم رہی۔ البتہ، ہم باریک بینی سے صورتحال کا جائزہ لے رہے ہیں اور ایسی صورتحال کے اثرات کم کرنے کے لیے وباء کی گزشتہ لہروں سے حاصل ہونے والے تجربے سے استفادہ کر رہے ہیں۔

اس ششماہی کے دوران، کمپنی نے GSK گروپ کی آڈٹ ٹیم کی جانب سے کوئی بڑا نکتہ اٹھائے بغیر کامیابی کے ساتھ اپنے آڈٹ اور اشورنس جائزے کی تکمیل کی۔

عملی نتائج کا جائزہ:

کمپنی نے 30 جون، 2021ء کو ختم ہونے والی ششماہی میں 16.8 بلین روپے کی آمدنی حاصل کی جس نے لاک ڈاؤن کے زیر اثر گزشتہ سال کی اسی مدت کے مقابلے میں قیمت کے اضافے اور فیملڈ میں سرگرمی کی بدولت 6 فیصد اضافے (بنیادی 8% صارفین کو چھوڑ کر) کو ظاہر کیا۔ وسیع پورٹ فولیو نے کمپنی کے لیے ترقی کی راہ ہموار کی۔ مجموعی آمدنی میں گلیکسو اسمتھ 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 سال ہونے والی 0.48 بلین روپے کی سیلز کو گزشتہ سال کی اسی مدت کے دوران ہونے والی 0.71 بلین روپے کے مقابلے میں باہمی کمپنی سیلز کے طور پر ریکارڈ کیا گیا۔ تنزلی کارہجان اکثریتی SKUs کے مجاز بازاری حقوق کی GSK CH کو منتقلی کے باعث سامنے آیا۔

کمپنی نے بعد از ٹیکس 1.7 بلین روپے کا منافع حاصل کیا۔ اس حاصل ہونے والے زیادہ خام منافع % کی وجہ سے پی آئی قیمت میں اضافہ، سپلائی سائٹس کی جانب سے موثر بلحاظ لاگت کے اقدامات اور اس کے ساتھ نسبتاً کم ٹینڈرز تھے جو زیادہ عملی منافع کا سبب بنے۔ اخراجات مستحکم رہے، جنہوں نے P&L کو بھرپور فائدہ پہنچایا۔

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF GLAXOSMITHKLINE PAKISTAN LIMITED

Report on review of Condensed Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of GlaxoSmithKline Pakistan Limited as at June 30, 2021 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the condensed interim financial statements for the half year then ended (here-in-after referred to as the "condensed interim financial statements"). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Other matter

The figures reported in the condensed interim statement of profit or loss and other comprehensive income for the quarter ended June 30, 2021 and June 30, 2020 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2021.

The engagement partner on the review resulting in this independent auditors' review report is Nadeem Yousuf Adil.


Chartered Accountants

Place: Karachi

Date: August 27, 2021



CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at June 30, 2021

Rupees '000	Note	(Un-audited) June 30, 2021	(Audited) December 31, 2020
ASSETS			
Non-current assets			
Property, plant and equipment	4	9,990,466	9,936,002
Intangibles	5	991,742	991,742
Long-term loans to employees		66,941	72,838
Long-term deposits		22,010	22,010
		11,071,159	11,022,592
Current assets			
Stores and spares		191,684	194,317
Stock-in-trade	6	8,280,712	5,743,505
Trade receivables		1,236,122	1,204,143
Loans and advances		259,791	378,482
Trade deposits and prepayments		280,939	307,293
Interest accrued		-	3,097
Taxation - payments less provision		-	41,798
Refunds due from government		44,464	44,643
Other receivables		679,025	998,067
Investments - at amortised cost		498,617	447,526
Cash and bank balances		3,630,548	5,604,548
		15,101,902	14,967,419
Assets of disposal groups classified as held for sale / disposal			
		81,985	81,985
Total assets		26,255,046	26,071,996
EQUITY AND LIABILITIES			
EQUITY			
Share capital		3,184,672	3,184,672
Reserves		13,926,599	14,293,592
		17,111,271	17,478,264
LIABILITIES			
Non-current liabilities			
Staff retirement benefits		560,030	508,622
Deferred taxation	7	713,002	674,967
Long-term portion of lease liabilities		31,758	31,559
		1,304,790	1,215,148
Current liabilities			
Trade and other payables	8	7,236,215	7,215,123
Taxation - provision less payments		414,557	-
Provisions	9	34,502	38,964
Current portion of lease liabilities		25,781	7,778
Unclaimed dividend		127,930	116,719
		7,838,985	7,378,584
Total liabilities		9,143,775	8,593,732
Total equity and liabilities		26,255,046	26,071,996
Contingencies and commitments 10			

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

Chief Executive

Chief Financial Officer

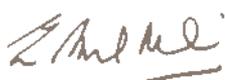
Director

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Half year ended June 30, 2021 (Unaudited)

Rupees '000	Note	Quarter ended		Half year ended	
		June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Revenue from contracts with customers	11	9,058,094	7,738,393	16,751,603	15,772,309
Cost of sales		(6,686,965)	(5,923,439)	(12,500,531)	(12,311,559)
Gross profit		2,371,129	1,814,954	4,251,072	3,460,750
Selling, marketing and distribution expenses	12	(686,993)	(564,687)	(1,385,085)	(1,408,061)
Administrative expenses		(293,734)	(291,559)	(666,463)	(765,265)
Other operating expenses		(126,584)	(110,019)	(224,850)	(166,069)
Other income	13	195,903	386,692	617,095	807,583
Operating profit		1,459,721	1,235,381	2,591,769	1,928,938
Financial charges		(4,018)	29,842	(6,000)	(19,141)
Profit before taxation		1,455,703	1,265,223	2,585,769	1,909,797
Taxation		(478,206)	(447,439)	(882,725)	(666,449)
Profit after taxation		977,497	817,784	1,703,044	1,243,348
Other comprehensive income		-	-	-	-
Total comprehensive income		977,497	817,784	1,703,044	1,243,348
Earnings per share	14	Rs. 3.07	Rs. 2.57	Rs. 5.35	Rs. 3.90

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


Chief Executive


Chief Financial Officer


Director



CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

For the Half year ended June 30, 2021 (Unaudited)

Rupees '000	Share capital	Capital reserve	Revenue Reserves		Total Reserves	Total
		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 half year ended June 30, 2020	-	-	-	1,243,348	1,243,348	1,243,348
Balance as at June 30, 2020	3,184,672	1,126,923	3,999,970	7,158,375	12,285,268	15,469,940
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)
Total comprehensive income for the half year ended June 30, 2021	-	-	-	1,703,044	1,703,044	1,703,044
Balance as at June 30, 2021	3,184,672	1,126,923	3,999,970	8,799,706	13,926,599	17,111,271

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


Chief Executive


Chief Financial Officer

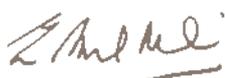

Director

CONDENSED INTERIM STATEMENT OF CASH FLOWS

For the Half year ended June 30, 2021 (Unaudited)

Rupees '000	Note	June 30, 2021	June 30, 2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	15	890,571	1,035,193
Staff retirement benefits paid		(115,350)	(154,983)
Income taxes paid		(388,335)	(407,106)
Mark-up paid		-	(2,353)
Increase in long-term loans to employees		5,897	24,008
Net cash generated from operating activities		392,783	494,759
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(460,902)	(366,014)
Proceeds from sale of operating assets		37,454	28,758
Return received		170,044	141,068
Net cash used in investing activities		(253,404)	(196,188)
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease rentals paid		(3,462)	(5,344)
Dividend paid		(2,058,826)	(464,214)
Net cash used in financing activities		(2,062,288)	(469,558)
Net decrease in cash and cash equivalents		(1,922,909)	(170,987)
Cash and cash equivalents at beginning of the period		6,052,074	2,689,896
Cash and cash equivalents at end of the period	16	4,129,165	2,518,909

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


Chief Executive


Chief Financial Officer


Director



NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the Half year ended June 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.

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

2.3 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. SIGNIFICANT ACCOUNTING POLICIES, 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, 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.

Rupees '000	Note	(Un-audited) June 30, 2021	(Audited) December 31, 2020
4. PROPERTY, PLANT AND EQUIPMENT			
Operating assets	4.1	8,958,383	8,706,886
Capital work-in-progress		814,722	1,028,825
Right-of-use assets		52,277	39,191
Major spare parts and stand-by equipments		165,084	161,100
		9,990,466	9,936,002

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

Rupees '000	(Un-audited) Additions (at cost)		(Un-audited) Disposals (at net book value)	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Improvements on buildings	57,545	100,654	3,559	-
Plant and machinery	409,641	72,919	2,011	1,915
Furniture and fixtures	25,124	16,812	144	-
Vehicles	111,900	122,814	20,128	17,441
Office equipments	66,812	17,472	1,016	-
	<u>671,022</u>	<u>330,671</u>	<u>26,858</u>	<u>19,356</u>

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

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)	(Audited)
	June 30, 2021	December 31, 2020
6. STOCK-IN-TRADE		
Raw and packing material	3,023,342	2,738,830
Work-in-process	1,188,567	243,699
Finished goods	4,710,357	3,345,686
	<u>8,922,266</u>	<u>6,328,215</u>
Less: Provision for slow moving, obsolete and damaged items	(641,554)	(584,710)
	<u>8,280,712</u>	<u>5,743,505</u>

6.1 Finished goods includes items costing Rs. 1.8 billion (December 31, 2020: Rs. 0.7 billion) valued at net realizable value of Rs. 1.2 billion (December 31, 2020: Rs. 0.5 billion). Raw and packing materials have been lowered by Rs. 157.9 million (December 31, 2020: Rs. 72.3 million) and WIP has been lowered by Rs. 62 million (December 31, 2020: Rs. 6.6 million) respectively to recognize them at net realizable value.

7. DEFERRED TAXATION

	June 30, 2021				December 31, 2020			
	Opening liability / (assets)	Charged / (reversal) to profit & loss	Charged / (reversal) to other comprehensive income	Closing liability / (asset)	Opening liability / (assets)	Charged / (reversal) to profit & loss	Charged / (reversal) to other comprehensive income	Closing liability / (asset)
Rupees '000								
Credit balance arising in respect of:								
- Accelerated tax depreciation allowances	1,105,233	63,256	-	1,168,489	998,963	106,270	-	1,105,233
- Assets under IFRS 16	11,347	3,797	-	15,144	14,750	(3,403)	-	11,347
Debit balances arising in respect of:								
- Allowance for impairment of trade receivables, provision for doubtful other receivables and refunds due from government	(85,080)	(7,298)	-	(92,378)	(92,845)	7,765	-	(85,080)
- Liability under IFRS 16	(11,389)	(5,280)	-	(16,669)	(14,585)	3,196	-	(11,389)
- Provision for trade deposits and doubtful advances	(20,679)	326	-	(20,353)	(17,712)	(2,967)	-	(20,679)
- Provision for slow moving & obsolete stocks and stores & spares	(177,207)	(1,819)	-	(179,026)	(177,833)	626	-	(177,207)
Staff retirement benefits	(147,258)	(14,947)	-	(162,205)	(64,782)	(32,122)	(50,354)	(147,258)
	<u>674,967</u>	<u>38,035</u>	<u>-</u>	<u>713,002</u>	<u>645,956</u>	<u>79,365</u>	<u>(50,354)</u>	<u>674,967</u>

	(Un-audited) June 30, 2021	(Audited) December 31, 2020
Rupees '000		
8. TRADE AND OTHER PAYABLES		
Creditors and bills payable	2,257,660	2,359,862
Accrued liabilities	2,855,948	3,015,468
Others	2,122,607	1,839,793
	<u>7,236,215</u>	<u>7,215,123</u>
9. PROVISIONS		
Balance at beginning of the period / year	38,964	78,762
Charge for the period / year	66,541	229,477
Payments during the period / year	(71,003)	(269,275)
Balance at end of the period / year	<u>34,502</u>	<u>38,964</u>
10. CONTINGENCIES AND COMMITMENTS		
10.1		

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 June 30, 2021:

(a) Income Tax

- (i) During the period ended June 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 is in process of filing 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.

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.

10.2 Commitments for capital expenditure outstanding as at June 30, 2021, amounted to Rs. 495.95 million (December 31, 2020: Rs. 252.91 million).

11. REVENUE FROM CONTRACTS WITH CUSTOMERS

11.1 This include sales of Over the Counter Products amounting to Rs. 0.48 billion (June 30, 2020: Rs. 0.71 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.

12. SELLING, MARKETING AND DISTRIBUTION EXPENSES

This includes advertising and sales promotion expenses of Rs. 124.47 million (June 30, 2020: Rs. 199.79 million).

Rupees '000	Note	Quarter ended - Un-audited		Half year ended - Un-audited	
		June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
13. OTHER INCOME					
Income from financial assets					
Return on Treasury bills		9,233	-	17,776	12,373
Income on savings and deposit accounts		61,895	52,032	146,179	127,122
		71,128	52,032	163,955	139,495
Income from non-financial assets					
Gain on disposal of operating assets		5,278	3,042	10,596	9,402
Others					
Exchange (loss) / gain - net		(80,882)	-	28,952	-
Scrap sales		12,077	15,435	19,022	23,740
Promotional allowance	13.1	182,091	244,037	382,781	555,844
Liabilities no longer payable written-off		-	61,248	-	61,248
Service fee		3,000	3,000	6,000	6,000
Others		3,213	7,898	5,790	11,854
		195,905	386,692	617,096	807,583

13.1 This represents allowance from GSK Group against various promotional activities for brand building and sustainable returns on investments.

Rupees '000	(Un-audited) June 30, 2021	(Un-audited) June 30, 2020
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14. EARNINGS PER SHARE

Profit after taxation	1,703,044	1,243,348
	Number of shares	
Weighted average number of shares outstanding during the period	318,467,278	318,467,278
Earnings per share - basic	Rs. 5.35	Rs. 3.90

14.1 A diluted earnings per share has not been presented as the Company did not have any convertible instruments in issue which would have any effect on the earnings per share if the option to convert is exercised.

Rupees '000	(Un-audited) June 30, 2021	(Un-audited) June 30, 2020
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15. CASH GENERATED FROM OPERATIONS

Profit before taxation	2,585,769	1,909,797
Add / (less): Adjustments for non-cash charges and other items		
Depreciation and impairment	399,880	358,066
Provision / (reversal) for slow moving, obsolete and damaged stock-in-trade net of stock written off	110,306	(82,313)
Gain on disposal of operating assets	(10,596)	(9,402)
Interest income	(166,947)	(139,495)
Financial charges	1,364	2,630
Provision for staff retirement benefits	166,758	188,366
Profit before working capital changes	3,086,534	2,227,649
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Stores and spares	2,633	(3,599)
Stock-in-trade	(2,647,513)	(1,934,679)
Trade receivables	(31,979)	(173,065)
Loans and advances	118,691	(122,786)
Trade deposits and prepayments	26,354	62,501
Refunds due from the government	179	7,870
Other receivables	319,042	574,630
	(2,212,593)	(1,589,128)
Increase / (decrease) in current liabilities		
Trade and other payables	21,092	366,799
Provisions	(4,462)	29,873
	16,630	396,672
	(2,195,963)	(1,192,456)
	890,571	1,035,193

Rupees '000	(Un-audited) June 30, 2021	(Un-audited) June 30, 2020
16. CASH AND CASH EQUIVALENTS		
Cash and bank balances	3,630,548	2,518,909
Investments - at amortised cost	498,617	-
	4,129,165	2,518,909

17. 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 condensed interim financial statements, are as follows:

Rupees '000		(Un-audited) June 30, 2021	(Un-audited) June 30, 2020
17.1	Transactions carried out during the period are as follows:		
	Relationship		
	Nature of transactions		
	Holding company:		
	Dividend paid	1,709,693	-
	Associated companies:		
	a. Royalty expense charged	168,447	169,731
	b. Purchase of goods	3,717,190	3,817,556
	c. Sale of goods	494,159	720,275
	d. Recovery of expenses	360,714	276,894
	e. Services fees	6,000	6,000
	f. Promotional allowance	382,781	555,844
	Staff retirement funds:		
	a. Payments to retirement benefit plans	140,308	131,694
	Key management personnel:		
	a. Salaries and other employee benefits	174,943	223,966
	b. Post employment benefits	13,560	12,100
	c. Proceeds from sale of fixed assets	629	4,389

17.2 Outstanding balances as at period / year end are as follows:

Rupees '000	(Un-audited) June 30, 2021	(Un-audited) December 31, 2020
Associated Companies:		
Trade receivables	224,272	-
Other receivable	653,753	499,214
Trade and other payables	1,322,421	1,515,358
Staff retirement benefits (Payable)	560,030	261,820

18. FAIR VALUE MEASUREMENTS

IFRS 13 "Fair Value Measurement" defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying amounts of all the financial instruments reflected in these financial statements approximate their fair value. 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).

As at June 30, 2021 the Company does not have any financial instruments carried at fair values which are measured using method falling under above categories, and carrying value of financial assets and liabilities approximate their fair value at the reporting date.

19. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements was approved and authorised for issue by the Board of Directors of the Company on August 23, 2021.


Chief Executive


Chief Financial Officer


Director



GlaxoSmithKline Pakistan Limited

35 - Dockyard Road, West Wharf, Karachi - 74000
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