



Calibrating Precision

GSK Pakistan Limited
First Quarter Report
2021

CORPORATE INFORMATION

As at March 31, 2021

Board of Directors

Mr. Dmytro Oliynyk
Chairman

Ms. Erum Shakir Rahim
Chief Executive Officer

Mr. Abdul Samad*
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 Oliynyk
Member

Mr. Mark Dawson
Member

Mr. Mehmood Mandviwalla
Member

Ms. Maheen Rahman
Member

Human Resource & Remuneration Committee

Mr. Mehmood Mandviwalla
Member

Mr. Dmytro Oliynyk
Member

Mr. Mark Dawson
Member

Ms. Erum Shakir Rahim
Member

Management Committee

Ms. Erum Shakir Rahim
Chief Executive Officer

Mr. Abdul Samad*
Chief Financial Officer

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

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

Imtiaz Hussain***
Site Director - F/268

Javed Tariq
Site Director - Korangi

Khurshand Iqbal***
Site Director - West Wharf

Disclosure Committee

Ms. Erum Shakir Rahim
Chairperson

Mr. Abdul Samad*
Member

Mr. Dmytro Oliynyk
Member

Mehar-e-daraksha Ameer
Member

Company Secretary

Ms. Mehar-e-daraksha Ameer

Chief Financial Officer

Mr. Abdul Samad*

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. Abdul Samad resigned as CFO and Executive Director of GSK Pakistan Limited as at April 2, 2021

** Syed Nasir Farid joined GSK as Business Unit Director BU 2 on April 1, 2021, replacing Samreen Hashmi Kidwai

*** Mr. Khurshand Iqbal appointed Site Director West Wharf on March 1, 2021, replacing Mr. Imtiaz Hussain who relocated as Site Director F/268



Sykes Building

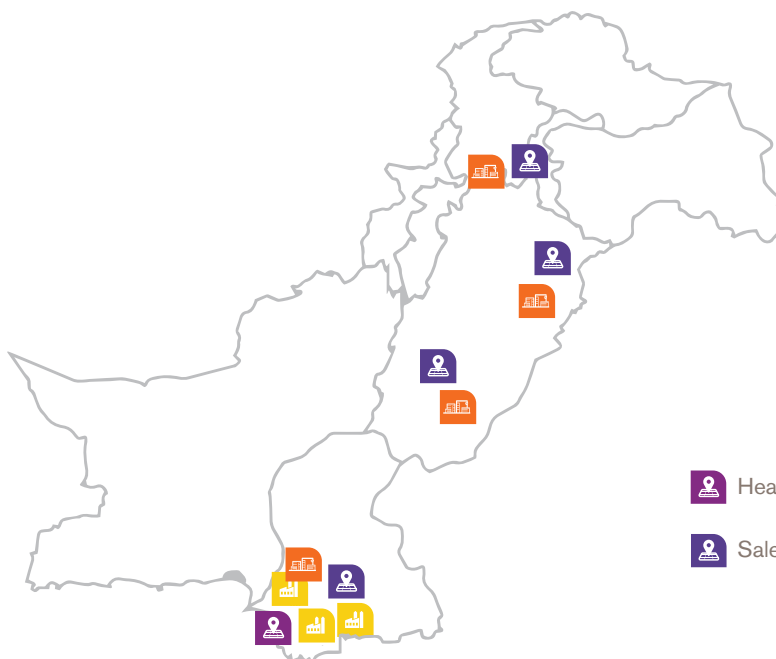


PAKISTAN MARKET OVERVIEW

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

On behalf of the Board of Directors, we are pleased to present the un-audited financial information of your Company for the period ended March 31, 2021. This financial information is submitted in accordance with Section 227 of the Companies Act, 2017.

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 • Abdul Samad*
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. 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. Abdul Samad* | - Member |
| iii. Dmytro Oliinyk | - Member |
| iv. Mehar Ameer | - Member |

Other Committees Include:

Risk Management & Compliance Board

Business Environment:

With the onset of the third wave of COVID during Q1 2021, GSK Pakistan remained focused and committed on

ensuring people safety, employee engagement and business continuity. Our proactiveness enabled us to fulfill our responsibility of ensuring uninterrupted supply of quality medicines to patients and customers across the country. The robust and flexible model we implemented and global guidance allowed our teams at Supply Chain, in the field and across the commercial organization to continue delivery of our products, whilst ensuring adherence to all COVID-19 safety protocols across all teams.

Due to the current wave 3, particularly in Punjab and KPK, some OPD in government hospitals were closed and there has been a reduction in patients visiting healthcare professionals. We are closely monitoring the situation and applying our experience from prior waves to manage the situation.

Review of Operating Results:

The turnover of the Company for the first three months was recorded at Rs. 7.7 billion showing a decline of 4% compared to same period last year; this reduction was mainly driven by the impact of tender phasing, supply issues and lower intercompany sales in Q1-2021. Excluding this impact, the underlying trade business reflected a growth of 10.3% which is in line with market growth.

As mentioned, the total turnover also includes intercompany sales to GlaxoSmithKline Consumer Healthcare Pakistan Limited on account of products manufactured by the Company for which market authorization rights remain with GlaxoSmithKline Pakistan Limited. This year sales of Rs. 0.25 billion was recorded as intercompany sales compared to Rs. 0.47 billion in the same period last year. The reduction is because the market authorization rights have now been transferred to GlaxoSmithKline Consumer Healthcare except for a few SKUs like Actifed, Panadol CF, Panadol Forte and Eno.

The gross profit during Q1 2021 was recorded at Rs. 1.9

* Mr. Abdul Samad, has resigned from GSK Pakistan Limited as CFO and Executive Director w.e.f. 2 April 2021.

billion reflecting a GP of 24.4% compared to 20.5% same period last year. This significant improvement was delivered primarily due to a favourable trade sales mix, price increase impact coupled with our continuous cost efficiency initiatives across the organization.

Selling, marketing and distribution expenses were recorded at Rs. 0.7 billion, a decrease of 17%, due to lower promotional spend by utilization of digital HCP engagement and robust spend management. As per Customer feedback, doctors in Pakistan prefer face to face interactions and our sales teams are actively in the field. In the coming months, as the COVID wave 3 situation stabilizes, face to face interactions with doctors will increase vs the current hybrid interactions and we foresee expenses under this head to come back to the normal baseline.

Administrative expenses were recorded at Rs. 0.37 billion which declined 21% compared to the same period last year. The decrease under this head is mainly due to one-off severance cost recorded in Q1,2020. Excluding this impact, underlying administrative expenses have increased as a result of inflation and COVID related safety precautions.

Your Company posted a profit after tax of Rs 0.7 billion. This profit after tax increase of Rs 0.3 billion was mainly driven by one off cost incurred during the same period last year, effective expense management, Company's strategic planning including relocation of FTE's towards key brands, portfolio simplification and investment on prioritized brands thus improving product contribution and supplementing profit.

As a result, Earnings per share for this quarter improved to Rs 2.28 as compared to Rs 1.34 in the corresponding period last year.

Outlook and Challenges

It is globally accepted that the Covid pandemic is expected to prevail for the next few years, and hence, working in a COVID environment is the new norm. Despite these challenges, your Company remains focused on delivering its long-term priorities of Innovation, performance and Trust. The learning over the past one year has enabled us to develop a robust yet flexible operating model which enables the business to quickly adapt to the changing scenario whilst ensuring employee wellbeing, business continuity and growth.

The foreign currency exchange rate remains a critical factor for our cost of production. Despite the challenges in the recent past, Pak Rupee has appreciated over the last six months due to consistent trend of increased home remittances and

loan disbursement from IMF. Expectations are that the rupee will remain stable for the foreseeable future.

Government has put in good macro-economic measures to stabilize the economy during the COVID pandemic. However, economic growth will continue to be a challenge requiring strong continued initiatives by the government.

Company remains committed to driving strong growth by investing in core brands effectively improving turnover and profit thus complementing returns to shareholders.

The amendments made to the Drug Pricing Policy whereby automatic annual CPI price mechanism now requires the formal approval of DRAP is also something that needs to be closely gauged for impact and mitigation. We also believe it is important to streamline any pricing anomalies, especially for decades old products.

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 Remunerations 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

Karachi
April 27, 2021



Muneer Kamal
Director

حکومت نے COVID کی وباء کے دوران معیشت کو مستحکم رکھنے کے لیے عمدہ کئی معاشی اقدامات کیے ہیں۔ تاہم، حکومت کی جانب سے مسلسل مضبوط و مستحکم اقدامات کے تسلسل تک معاشی ترقی آئندہ بھی ایک چیلنج ثابت ہوتی رہے گی۔

کمپنی بنیادی اور اہم برانڈز میں مؤثر سرمایہ کاری کی بدولت پائیدار کاروباری ترقی کے لیے کوشاں رہے گی تاکہ آمدنی اور منافع میں اضافہ کر کے شیئر ہولڈرز کو بروقت منافع فراہم کیا جاسکے۔

ادویات کی قیمتوں کی پالیسی میں کی جانے والی تبدیلیاں جبکہ خود کارسالا نہ سی پی آئی قیمت کا طریقہ کار جو کہ اب DRAP کی باضابطہ منظوری کا تقاضہ کرتا ہے، ایک ایسا امر ہے کہ اثرات اور تخفیف کے لیے جس پر بار یک بینی سے نظر رکھنا ہوگی۔ ہم اس بات پر بھی یقین رکھتے ہیں کہ قیمتوں، خصوصاً دہائیوں پرانی مصنوعات کی قیمتوں میں کسی بھی نوعیت کی بے ضابطگیوں کو منظم کرنا بھی ضروری ہے۔

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

گلکسو اسمتھ کلائن پاکستان لمیٹڈ کے بیرونی نان ایگزیکٹو بورڈ ڈائریکٹرز موزوں طور پر تخلیق شدہ مارکیٹ کے معیار پر مبنی، ہیومن ریسورس اور مشاہرہ کمیٹی کی جانب سے منظور کردہ مشاہرے کے حقدار ہیں۔

سنائی کلمات:

بورڈ کی طرف سے ہم GSK پاکستان کی پوری ٹیم کا شکریہ ادا کرتے ہیں جنہوں نے ایسے ناگفتہ بہ حالات میں بلا تعطل کاروباری سرگرمیاں جاری رکھنے کے لیے اپنے شاندار کردار اور استقامت کا مظاہرہ کیا۔ ہم اپنے ساتھ کام کرنے والے بہت سے فریقین ثالث کی معاونت پر انہیں بھی خراج تحسین پیش کرتے ہیں جن کے بغیر ان مشکل حالات میں اپنی کاروباری سرگرمیوں کو جاری رکھنا ہمارے لیے ممکن نہ تھا۔

محمود علی والا

ڈائریکٹر

حسب الحکم بورڈ

ارم شاہ کریم

چیف ایگزیکٹو آفیسر

کراچی

27 اپریل، 2021

سیلنگ، مارکیٹنگ اور ڈسٹری بیوشن کے اخراجات 0.7 بلین روپے ریکارڈ کیے گئے، گویا ان میں 17 فیصد کمی آئی۔ جس کا بنیادی سبب ڈیجیٹل HCP کی شرکت عمل اور مستحکم اخراجاتی انتظام کے تحت تشہیر کاری کے اخراجات میں کمی تھی۔ کسٹمرز کے تاثرات کے مطابق، پاکستان میں ڈاکٹرز و برو ملاقات کو ترجیح دیتے ہیں اور ہماری سیلز ٹیمز فعال انداز میں فیلڈ میں موجود ہیں۔ آنے والے مہینوں میں، COVID کی تیسری لہر کا زور کم ہوتے ہی موجودہ مخلوط ذرائع سے ہونے والی ملاقاتوں کے مقابلے میں ڈاکٹرز کے ساتھ برو ملاقاتوں میں اضافہ ہوگا اور ہمیں توقع ہے کہ اس مد میں اخراجات بھی معمول کی حد پر آجائیں گے۔

انتظامی اخراجات گزشتہ سال کی اسی سہ ماہی کے مقابلے میں 21 فیصد کمی کے ساتھ 0.37 بلین روپے ریکارڈ کیے گئے۔ اس مد میں کمی کی بنیادی وجہ 2020ء کی پہلی سہ ماہی میں ملازمین کو کوئی جانے والی یکمشت ادائیگیاں تھیں۔ ان اثرات سے قطع نظر، ذیلی انتظامی اخراجات میں اضافہ ہوا جس کا سبب افراط زر اور COVID سے متعلقہ حفاظتی تدابیر تھیں۔

آپ کی کمپنی نے 0.7 بلین روپے کا بعد از ٹیکس منافع حاصل کیا۔ اس بعد از ٹیکس منافع میں 0.3 بلین روپے کا اضافہ ہوا جس کی بنیادی وجہ گزشتہ سال کی اسی سہ ماہی کے دوران اخراجات کی یکمشت ادائیگی، اخراجات کا مؤثر انتظام، کمپنی کی حکمت عملی پر مبنی منصوبہ بندی بشمول اہم برانڈز میں FTE's کی دوبارہ تقرری، پورٹ فولیو کو سادہ بنانا اور ترجیحی برانڈز میں سرمایہ کاری تھی، تاکہ پراڈکٹ کے اشتراک عمل اور اضافی منافع کو بہتر بنایا جائے۔

نتیجتاً، اس سہ ماہی میں فی حصص منافع بڑھ کر 2.28 روپے ہو گیا جو کہ گزشتہ سال کی اسی سہ ماہی میں 1.34 روپے تھا۔

پیش منظر اور مسائل

یہ بات عالمی سطح پر متفقہ ہے کہ COVID کی وباء آئندہ چند برسوں تک جاری رہے گی، لہذا COVID کے ماحول میں کام کرنا نئے اصول و ضابطے کا متقاضی ہے۔ ان مسائل کے باوجود، آپ کی کمپنی اختراع، کارکردگی اور اعتماد کی اپنی طویل المیعاد ترجیحات پر پوری طرح توجہ مرکوز کیے ہوئے ہے۔ گزشتہ ایک سال کے دوران ہم نے جو کچھ سیکھا اس کی بدولت ہم نے مستحکم اور باسہولت کاروباری ماڈل تیار کر لیا ہے جو کاروباری ادارے کو بدلتی ہوئی صورتحال سے فوری طور پر ہم آہنگ کرتا ہے اور اس کے ساتھ ساتھ ملازمین کی فلاح و بہبود، کاروباری تسلسل اور ترقی کو بھی یقینی بناتا ہے۔

ہماری پیداواری لاگت کے لیے غیر ملکی شرح مبادلہ ابھی بھی ایک اہم عامل ہے۔ ماضی قریب کے پیش آمدہ مسائل کے باوجود، ہوم رییمینٹس میں مسلسل اضافے کے رجحان اور آئی ایم ایف سے قرضے کی فراہمی کے باعث پاکستانی روپے کی قدر میں گزشتہ چھ ماہ میں بہتری آئی ہے۔ توقعات یہی ہیں کہ مستقبل قریب میں بھی روپیہ مستحکم رہے گا۔

کاروباری ماحول:

2021 کی پہلی سہ ماہی کے دوران COVID کی تیسری لہر کے آغاز کے ساتھ، GSK اپنی توجہ کو مرکوز رکھتے ہوئے پاکستانی عوام کے تحفظ، ملازمین کی شرکت عمل اور کاروباری تسلسل کے لیے کوشاں رہا ہے۔ اپنے اقدامی طرز عمل کی بدولت ہم ملک بھر میں مریضوں اور اپنے کسٹمرز کے لیے معیاری ادویات کی بلا تعطل فراہمی کی ذمہ داری احسن انداز میں نبھا رہے ہیں۔ ہماری جانب سے مستحکم اور چکدار ماڈل کے نفاذ اور عالمی رہنمائی نے ہمیں اس بات کا اہل بنایا کہ فیلڈ اور پورے تجارتی ادارے میں موجود ہمارے سلسلہ فروخت کو اپنی مصنوعات کی فراہمی جاری رکھی جاسکے، جبکہ اس کے ساتھ ساتھ تمام ٹیموں کے مابین COVID-19 کے مجوزہ حفظ مراتب پر عمل درآمد کو بھی یقینی بنایا گیا۔

حالیہ تیسری لہر کے باعث، خصوصاً پنجاب اور خیبر پختونخواہ میں، سرکاری اسپتالوں میں اوپی ڈی کے بعض سیکشنز بند رہے اور معالجین کے پاس مریضوں کی آنے والی تعداد میں بھی کمی ہوئی۔ ہم صورتحال کا باریک بینی سے جائزہ لے رہے ہیں اور اس وباء کی گزشتہ لہروں سے حاصل کردہ اپنے تجربے کو بروئے کار لاتے ہوئے موجودہ صورتحال سے نمٹ رہے ہیں۔

کاروباری عملی نتائج کا جائزہ:

ابتدائی تین ماہ میں کمپنی کا سیلز 7.7 بلین روپے ریکارڈ کیا گیا، گویا گزشتہ سال کی اسی سہ ماہی کے مقابلے میں اس میں 4 فیصد کمی ہوئی۔ اس کمی کی بنیادی وجہ ٹینڈر کے مرحلے سے گزرنا، رسد کے مسائل اور 2021ء کی پہلی سہ ماہی میں کمینیز کے مابین پست سیلز تھیں۔ ان اثرات سے قطع نظر، ذیلی تجارتی کاروبار میں 10.3 فیصد کا اضافہ ہوا جو کہ مارکیٹ کی گروتھ کے عین موافق ہے۔

کمپنی کی مجموعی سیلز میں گلیکسو اسمتھ کلائن کنزیومر ہیلتھ کیئر پاکستان لمیٹڈ کو کمپنی کی جانب سے تیار کردہ ان مصنوعات کی مد میں انٹر کمپنی سیلز بھی شامل ہیں جن کے مجاز بازاری حقوق گلیکسو اسمتھ کلائن پاکستان لمیٹڈ کے پاس ہیں۔ اس سال کی 0.25 بلین روپے کی سیلز بطور انٹر کمپنی سیلز ریکارڈ کی گئیں جو کہ گزشتہ سال کی اسی سہ ماہی کے دوران 0.47 بلین روپے تھیں۔ اس کمی کی وجہ ماسوائے چند SKUs جیسے کہ Panadol Forte، Panadol CF، Actifed اور Eno کے، مجاز بازاری حقوق کی گلیکسو اسمتھ کلائن کنزیومر ہیلتھ کیئر کو منتقلی ہے۔

2021ء کی پہلی سہ ماہی کے دوران مجموعی منافع 1.9 بلین روپے رہا جو کہ گزشتہ سال کی اسی سہ ماہی کے 20.5 فیصد کے مقابلے میں 24.4 فیصد مجموعی منافع کو ظاہر کرتا ہے۔ اس خاطر خواہ اضافے کا سبب بنیادی طور پر موافق تجارتی سیلز اور پورے ادارے میں مسلسل ہونے والے مؤثر بلحاظ لاگت اقدامات کے ساتھ قیمت میں اضافہ تھا۔

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

(a) آڈٹ کمیٹی

- i۔ منیر کمال - چیئر مین
- ii۔ ماہین رحمان - ممبر
- iii۔ محمود مانڈوی والا - ممبر
- iv۔ ڈیماٹر واولینک - ممبر
- v۔ سید احسن اعجاز - سیکریٹری

(b) ہیومن ریسورس اور مشاہرہ کمیٹی

- i۔ ماہین رحمان - چیئر پرسن
- ii۔ محمود مانڈوی والا - ممبر
- iii۔ ڈیماٹر واولینک - 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۔ عبدالصمد* - ممبر
- iii۔ ڈیماٹر واولینک - ممبر
- iv۔ مہر امیر - ممبر

دیگر کمیٹیاں شامل ہیں۔

رسک منیجمنٹ اور تعمیل بورڈ

* محترم عبدالصمد، GSK پاکستان لمیٹڈ سے اپریل 2021ء کو مستعفی ہو چکے ہیں جو یہاں بطور چیف فنانشل آفیسر اور ایگزیکٹو ڈائریکٹر کام کر رہے تھے۔

■ ڈائریکٹرز کا جائزہ:

ہم، بورڈ آف ڈائریکٹرز کی طرف سے، آپ کی کمپنی کی غیر آڈٹ شدہ مالیاتی تفصیلات برائے مدتِ اختتام 31 مارچ، 2021ء پیش کرتے ہوئے انتہائی مسرت محسوس کر رہے ہیں۔ یہ مالیاتی تفصیلات کمپنیز ایکٹ، 2017 کے سیکشن 227 کے مطابق جمع کروائی گئی ہیں۔

بورڈ کی تشکیلی ساخت:

1- ڈائریکٹرز کی مجموعی تعداد درج ذیل کے مطابق 7 ہے:

(a) مرد: 5

(b) خواتین: 2

2- بورڈ کی تشکیلی ساخت ذیل میں دی گئی ہے:

کیٹگری

خود مختار ڈائریکٹر

نام

• مابین رحمان

• منیر کمال

ایگزیکٹو ڈائریکٹر

• ارم شا کر رحیم

• عبدالصمد *

نان ایگزیکٹو ڈائریکٹر

• محمود مائٹوی والا

• ڈیماٹرو اولینک (Dmytro Oliinyk)

• مارک ڈاسن (Mark Dawson)



CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at March 31, 2021

Rupees '000	Note	(Un-audited) March 31, 2021	(Audited) December 31, 2020
ASSETS			
Non-current assets			
Property, plant and equipment	4	9,954,816	9,936,002
Intangibles	5	991,742	991,742
Long-term loans to employees		66,872	72,838
Long-term deposits		22,010	22,010
		<u>11,035,440</u>	<u>11,022,592</u>
Current assets			
Stores and spares		303,502	194,317
Stock-in-trade		7,277,729	5,743,505
Trade receivables		1,228,328	1,204,143
Loans and advances		383,329	378,482
Trade deposits and prepayments		346,173	307,293
Interest accrued		9,154	3,097
Taxation - payments less provision		-	41,798
Refunds due from government		37,495	38,710
Other receivables		1,108,753	1,004,000
Investments - at amortised cost		497,974	447,526
Cash and bank balances		4,641,986	5,604,548
		<u>15,834,423</u>	<u>14,967,419</u>
Assets of disposal groups classified as held for sale / disposal			
		81,985	81,985
Total assets		<u>26,951,848</u>	<u>26,071,996</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital		3,184,672	3,184,672
Reserves		15,019,139	14,293,592
		<u>18,203,811</u>	<u>17,478,264</u>
LIABILITIES			
Non-current liabilities			
Staff retirement benefits		545,564	508,622
Deferred taxation		721,659	674,967
Long-term portion of lease liabilities		45,405	7,778
		<u>1,312,628</u>	<u>1,191,367</u>
Current liabilities			
Trade and other payables	6	7,180,034	7,215,123
Taxation - provision less payments		87,803	-
Provisions	7	37,706	38,964
Current portion of lease liabilities		14,122	31,559
Unclaimed dividend		115,744	116,719
		<u>7,435,409</u>	<u>7,402,365</u>
Total liabilities		<u>8,748,037</u>	<u>8,593,732</u>
Total equity and liabilities		<u>26,951,848</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

Director

Director



CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Quarter ended March 31, 2021 (Unaudited)

Rupees '000	Note	March 31, 2021	March 31, 2020
Revenue from contracts with customers	9	7,693,509	8,033,916
Cost of sales		(5,813,566)	(6,388,120)
Gross profit		1,879,943	1,645,796
Selling, marketing and distribution expenses	10	(698,092)	(843,374)
Administrative expenses		(372,729)	(473,706)
Other operating expenses		(98,266)	(56,050)
Other income	11	421,192	420,891
Operating profit		1,132,048	693,557
Financial charges		(1,982)	(48,983)
Profit before taxation		1,130,066	644,574
Taxation		(404,519)	(219,010)
Profit after taxation		725,547	425,564
Other comprehensive income		-	-
Total comprehensive income		725,547	425,564
Earnings per share	12	Rs. 2.28	Rs. 1.34

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


Chief Executive


Director


Director



CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

For the Quarter ended March 31, 2021 (Unaudited)

Rupees ‘000	Share capital	Reserves			Total Reserves	Total
		Capital reserve	Revenue 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
Total comprehensive income for the quarter ended March 31, 2020	-	-	-	425,564	425,564	425,564
Balance as at March 31, 2020	3,184,672	1,126,923	3,999,970	8,251,395	13,378,288	16,562,960
Balance as at January 1, 2021	3,184,672	1,126,923	3,999,970	9,166,699	14,293,592	17,478,264
Total comprehensive income for the quarter ended March 31, 2021	-	-	-	725,547	725,547	725,547
Balance as at March 31, 2021	3,184,672	1,126,923	3,999,970	9,892,246	15,019,139	18,203,811

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


Chief Executive


Director


Director

CONDENSED INTERIM STATEMENT OF CASH FLOWS

For the Quarter ended March 31, 2021 (Unaudited)

Rupees '000	Note	March 31, 2021	March 31, 2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	13	(573,976)	284,280
Staff retirement benefits paid		(17,788)	(60,742)
Income taxes paid		(228,226)	(106,826)
Mark-up paid		-	(2,353)
Decrease in long-term loans to employees		5,966	11,560
Net cash (used in) / generated from operating activities		(814,024)	125,919
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(193,769)	(263,046)
Proceeds from sale of operating assets		11,358	17,120
Return received		86,770	89,036
Net cash used in investing activities		(95,641)	(156,890)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liabilities		(1,474)	(5,140)
Dividend paid		(975)	(207)
Net cash used in financing activities		(2,449)	(5,347)
Net decrease in cash and cash equivalents		(912,114)	(36,318)
Cash and cash equivalents at beginning of the period		6,052,074	2,689,896
Cash and cash equivalents at end of the period	14	5,139,960	2,653,578

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


Chief Executive


Director


Director



NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the Quarter ended March 31, 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., incorporated in Netherlands, whereas its ultimate parent company is GlaxoSmithKline plc, UK.

1.1 Due to the pending transfer of marketing authorisations and certain 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 is evolving in the country. Up to the date of these financial statements, the outbreak has not had a material impact on the financial results of the Company. Presently, pharmaceutical businesses have been allowed to continue and operate their usual 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.

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.

3.1.3 Actuarial valuations are carried out on annual basis. The last actuarial valuation was carried out on December 31, 2020, therefore, no impact of actuarial gain / loss has been calculated for the current period and comparative condensed financial statements has also not been adjusted for the same reason.

3.2 Application of new standards, amendments and interpretations to the published approved accounting and reporting standards

3.2.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ending December 31, 2021

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 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

3.3 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.

3.4 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.

3.5 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) March 31, 2021	(Audited) December 31, 2020
Rupees '000			
4. PROPERTY, PLANT AND EQUIPMENT			
Operating assets	4.1	8,774,650	8,706,886
Capital work-in-progress		935,008	1,028,825
Right-of-use assets		56,074	39,191
Major spare parts and standby equipments		189,084	161,100
		<u>9,954,816</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)	March 31, 2020	(Un-audited) Disposals (at net book value)	March 31, 2020
	March 31, 2021		March 31, 2021	
Improvements on buildings	22,503	-	-	-
Plant and machinery	168,330	-	307	1,915
Furniture and fixtures	22,274	-	144	-
Vehicles	24,919	82,338	5,589	8,845
Office equipments	21,550	1,679	-	-
	259,576	84,017	6,040	10,760

Rupees '000	Note	(Un-audited) March 31, 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 paid for acquiring market authorisation rights of Traxon from Akhai Pharmaceuticals (Private) Limited. The Company has provided 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) March 31, 2021	(Audited) December 31, 2020
6. TRADE AND OTHER PAYABLES		
Creditors and bills payable	2,260,749	2,359,882
Accrued liabilities	3,069,511	3,015,448
Others	1,849,774	1,839,793
	7,180,034	7,215,123
7. PROVISIONS		
Balance at beginning of the period	38,964	78,762
Charge for the period	18,893	229,477
Payments during the period	(20,151)	(269,275)
Balance at end of the period	37,706	38,964

8. CONTINGENCIES AND COMMITMENTS

8.1 Following are the changes in the status of contingencies as reported in the financial statements for the year ended December 31, 2020:

- (i) During the period ended March 31, 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 due for hearing and is preparing to file rectification application for certain apparent mistakes in the Order. Further, the Company has also obtained Stay Order from Sindh High Court against any recovery proceedings.

- (ii) Against the order of AO under section 122(1) of the Ordinance for tax years 2006 and 2007 having tax demand of Rs 89.5 million, the CIRA confirmed the tax demand on the contention that that the Company allegedly paid excessive amounts on account of royalty and certain imported raw materials.

Against the order of CIRA, the Company is in process of filing appeal before Appellate Tribunal Inland Revenue.

8.2 Commitments for capital expenditure outstanding as at March 31, 2021, amounted to Rs. 250.79 million (December 31, 2020: Rs. 252.91 million).

9. REVENUE FROM CONTRACT WITH CUSTOMERS

9.1 The revenue from contract with customers include sales of Over the Counter products amounting to Rs. 0.25 billion (March 31, 2020: Rs. 0.47 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. 63.58 million (March 31, 2020: Rs. 169.22 million).

Rupees '000	Quarter ended	
	(Un-audited) March 31, 2021	(Un-audited) March 31, 2020
11. OTHER INCOME		
Income from financial assets		
Return on Treasury bills	8,543	12,374
Income on savings and deposit accounts	84,284	75,090
	92,827	87,464
Income from non-financial assets		
Gain on disposal of operating assets	5,318	6,360
Others		
Exchange gain - net	109,834	-
Scrap sales	6,945	8,305
Promotional allowance - note 11.1	200,691	311,807
Service fee	3,000	3,000
Others	2,577	3,955
	421,192	420,891

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

Rupees '000	(Un-audited) March 31, 2021	(Un-audited) March 31, 2020
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12. EARNINGS PER SHARE

Profit after taxation	725,547	425,564
Weighted average number of shares outstanding during the period	318,467,278	318,467,278
Earnings per share - basic	Rs. 2.28	Rs. 1.34

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) March 31, 2021	(Un-audited) March 31, 2020
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13. CASH GENERATED FROM OPERATIONS

Profit before taxation	1,130,066	644,574
Add / (less): Adjustments for non-cash charges and other items		
Depreciation and impairment	189,215	174,760
Provision for slow moving, obsolete and damaged stock-in-trade net of stock written off	75,785	(42,033)
Gain on disposal of operating fixed assets	(5,318)	(6,360)
Interest income	(92,827)	(87,463)
Mark-up expense	1,364	1,315
Provision for staff retirement benefits	54,730	92,617
Profit before working capital changes	1,353,015	777,410
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Stores and spares	(109,185)	2,488
Stock-in-trade	(1,610,009)	(208,882)
Trade receivables	(24,185)	(321,156)
Loans and advances	(4,847)	88,904
Trade deposits and prepayments	(38,880)	55,959
Refunds due from the government	1,215	(1,142)
Other receivables	(104,753)	(176,178)
	(1,890,644)	(560,007)
Increase in current liabilities		
Trade and other payables	(35,089)	(19,205)
Provisions	(1,258)	86,082
	(1,926,991)	(493,130)
	(573,976)	284,280

Rupees '000	(Un-audited) March 31, 2021	(Un-audited) March 31, 2020
14. CASH AND CASH EQUIVALENTS		
Cash and bank balances	4,641,986	2,653,578
Investments - at amortised cost	497,974	-
	<u>5,139,960</u>	<u>2,653,578</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) March 31, 2021	(Un-audited) March 31, 2020
15.1	Details of transactions carried out during the period with the related parties are as follows:		
Relationship	Nature of transactions		
Associated companies:	a. Royalty expense charged	72,573	82,242
	b. Purchase of goods	1,869,685	1,831,175
	c. Sale of goods	249,075	467,821
	d. Recovery of expenses	164,186	104,659
	e. Services fees	3,000	3,000
	f. Promotional allowance	200,691	311,807
Staff retirement funds:	a. Payments to retirement benefit plans	55,393	64,260
Key management personnel:	a. Salaries and other employee benefits	120,673	274,445
	b. Post employment benefits	6,466	7,028

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 April 27, 2021.


Chief Executive


Director


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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