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AGILE TRANS FORM MATION

Agile Transformation

Third Quarter Report 2020

Corporate Information

as at September 30, 2020

Board of Directors

Mr. Dmytro Oliinyk
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 Oliinyk
Member

Mr. Mehmood Mandviwalla
Member

Ms. Maheen Rahman
Member

Human Resource & Remuneration Committee

Ms. Maheen Rahman
Chairperson

Mr. Dmytro Oliinyk
Member

Mr. Mehmood Mandviwalla
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

Syed Azeem Abbas Naqvi
Legal Director

Dr. Tariq Farooq
Business Unit Director BU 1

Ms. Samreen Hashmi Kidwai
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 - West Wharf

Javed Tariq
Site Director - Korangi

Joseph Thibaut
Site Director - F/268

Disclosure Committee

Ms. Erum Shakir Rahim
Chairperson

Mr. Abdul Samad
Member

Mr. Dmytro Oliinyk
Member

Company Secretary

Syed Azeem Abbas Naqvi

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

Deloitte 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

* Zain Anjum has joined GSK Pakistan and taking over from Imran Amin as Country Compliance Officer, effective July 27, 2020

** Dr. Naved Masoom Ali appointed as Director Business Unit 3, effective September 01, 2020



Sykes Building

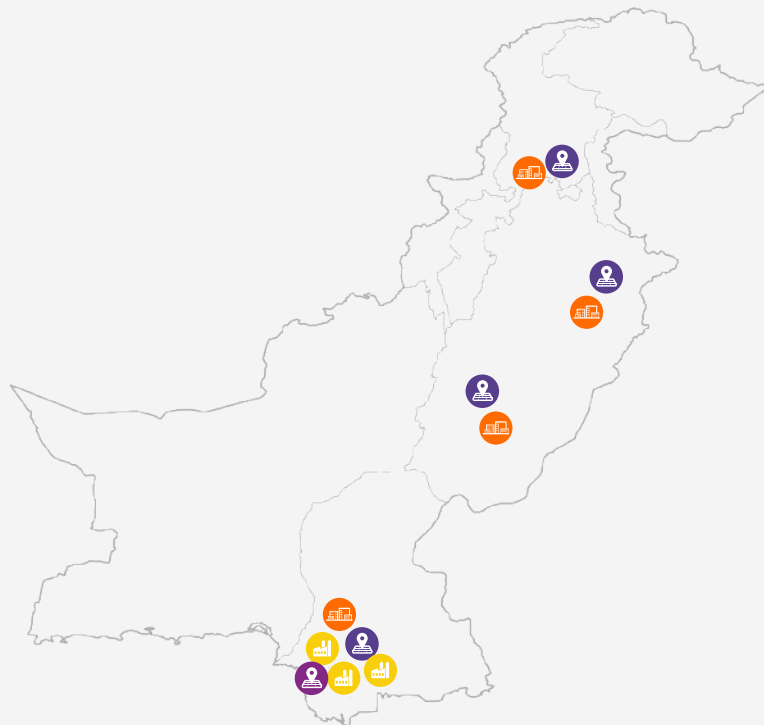


Pakistan Market Overview

Archetype and Players in Value Chain



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



- Head Office
- Sales Office
- Warehouse
- 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 September 30, 2020. 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 RahmanMuneer Kamal
Executive Directors	<ul style="list-style-type: none">Erum Shakir RahimAbdul Samad
Non-Executive Directors	<ul style="list-style-type: none">Mehmood MandviwallaDmytro OliinykMark 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

d) Risk Management Committee

- i. RMCB – consisting of GSK Pakistan Management Team

Review of Operating Results:

2020 to date has been a challenging year due to COVID 19 and its impact on the economy, however your Company has remained resilient in terms of continuity of business, employee wellbeing and ensuring business delivery.

For the nine months ended September 30, 2020, the company recorded net sales of Rs. 26.6 billion versus Rs 25.8 billion last year. The total Net sales also includes intercompany sales of Rs. 0.97 billion (as compared to Rs. 3.2 billion in the same period last year) to GlaxoSmithKline Consumer Healthcare Pakistan Limited on account of products manufactured by the Company for which market authorization rights remain with GlaxoSmithKline Pakistan Limited. As mentioned in the previous quarter's report, the transfer of market authorization rights has commenced, and some products have already been transferred to GlaxoSmithKline Consumer Healthcare. The process for the remaining products will be completed within this year.

Our core pharmaceutical business achieved net sales of Rs. 25.6 billion, reflecting a growth of 13% in the year to date period. In this period our sales also include stock build with the distributor during quarter 3, as we migrate to SAP ERP system in October and most of our invoicing and dispatching activities will be placed on hold. Excluding the impact of one-off stock built and discontinuation of Ranitidine base product the company has delivered a healthy underlying growth of 8% which has also improved from H1 2020.

Despite the challenging situation during pandemic and country wide lock down, GSK Pakistan remained focused towards ensuring access to quality medicines for patients. Our essential staff remained operational both in manufacturing and as well as in managing key accounts, hospitals and government institutions in the field. GSK Pakistan adopted quickly to the situation and interacted with our health care partners through digital channels. We have started more web to web seminars for our healthcare professional (Doctor and Pharmacist). As seen globally, the patient flows especially for acute therapies have seen a decline during the pandemic period. However with return to new normal, GSK Pakistan has geared up to the pre COVID level of engagement by the commercial staff.

The gross margin for the period under review was Rs. 6.03 billion, showing an improvement of 1% in GP as compared to last year. This improvement was primarily due to stable exchange rate coupled with better product mix and our continuous cost efficiency initiatives across the organization.

Selling, marketing and distribution expenses were recorded at Rs. 2.1 billion, a decrease of 13.8%, primarily due to lower spend during COVID 19 lockdown situation during which time the Company managed most of its interaction with Healthcare Professionals and other customers virtually. Administrative expenses were recorded at Rs. 1.1 billion; increase under this head is mainly due to one-off severance cost recorded in quarter 1 and the impact of inflation. Our financial charges also showed a significant reduction compared to last year.

Our profit after tax in this period is Rs 2.4 billion reflecting good growth as compared to last year. During this period our cash and cash equivalents increased by Rs.1.3 billion, which was mainly driven by profit from operations and working capital changes.

Inspired by our Values of "Trust" and "Respect for People", the Company during the COVID -19 took immediate action to implement work from home for Office and field-based employees and prioritized Supply Chain operations to ensure smooth product supply. With the reduction in the number of cases, 30% of office-based personnel, returned to work on a rotational basis. Our sales force also resumed face-to-face interactions with HCPs from mid August 2020. The company leadership, through Issue Management Team's (IMT) platform is continuously monitoring of the situation and providing all necessary support to the employees during this crisis including access to Online mental Healthcare Physician and Ergonomic support for home office equipment.

Outlook and Challenges

There has been a significant reduction of COVID-19 cases in Pakistan since the beginning of July. However we are cognizant of the need to quickly adapt to any changing scenario in the COVID to ensure people safety and business continuity.

As the lockdown continues to be eased, patient flow in OPD and doctors is increasing, which corresponds with the return of our field force for face-to-face detailing with HCPs. This in our view will have a positive impact on the business.

The industry is facing challenges on import of some materials, GSK Pakistan is keeping close watch on the situation and is working to develop alternate sources however it may have an impact on the cost of the impacted products.

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

The 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:

GSK Pakistan also successfully went live on SAP during the month of October in commercial operations. This was an aligned key global deliverable involving multiple cross functional teams within and above country. The virtual implementation was challenging due to COVID-19 period, however the team showed good resilience and ownership. This has been a record breaking SAP deployment across GSK global.

GSK Pakistan has recently won the 1st position in the Best corporate report under Pharma category.

On behalf of the Board we would like to thank the entire GSK Pakistan team for their outstanding contribution and resilience for delivering medicines to the patient. We also acknowledge the support of our vendors and channel partners in such a challenging environment.

By order of the Board



Erum Shakir Rahim
Chief Executive Officer



Abdul Samad
Director

Karachi
October 28, 2020

”اعتاد“ اور ”افراد کا احترام“ کی اقدار سے متاثر رہتے ہوئے، کمپنی نے COVID-19 کے دوران دفتر اور فیلڈ پر مبنی ملازمین کے لیے گھر سے کام کے نفاذ کے لیے فوری اقدام کیا اور مصنوعات کی باسہولت رسد کو یقینی بنانے کے لیے رسدی سلسلے کی سرگرمیوں کو ترجیح یافتہ بنایا۔ مریضوں کی تعداد میں کمی کے ساتھ، 30 فیصد دفتری عمل روٹیشن کی بنیاد پر کام پرواپس آ گیا۔ ہماری سلیز ٹیم نے بھی اگست 2020 کے وسط سے HCPs کے ساتھ روبرو ملاقاتوں کا آغاز کر دیا۔ کمپنی کی قیادت، ایشوینجمنٹ ٹیم (IMT) کے پلیٹ فارم سے صورتحال کی مسلسل نگرانی کر رہی ہے اور اس مشکل صورتحال کے دوران ملازمین کو تمام ضروری معاونت فراہم کر رہی ہے جس میں آن لائن دماغی صحت کے معالج اور گھر و دفتر کے ایکو پمٹ کے لیے ارگنومک معاونت تک رسائی بھی شامل ہے۔

پیش منظر اور مسائل

جولائی کے آغاز سے پاکستان میں COVID-19 کے کیسز کی تعداد میں نمایاں کمی ہوئی ہے۔ تاہم، ہم لوگوں کے تحفظ اور کاروباری تسلسل کو یقینی بنانے کے لیے COVID کے حوالے سے کسی بھی بدلتی صورتحال سے فوراً ہم آہنگ ہونے کی ضرورت سے باخبر ہیں۔

چونکہ لاک ڈاؤن میں نرمی کردی گئی ہے، لہذا اوپی ڈی میں اور ڈاکٹرز کے پاس مریضوں کی آمد میں اضافہ ہو رہا ہے، جس کے نتیجے میں HCPs کے ساتھ ہماری فیلڈ فورس کی روبرو ملاقاتوں کا دوبارہ آغاز ہوا ہے۔ ہماری نظر میں اس سے کاروبار پر مثبت اثرات رونما ہوں گے۔

انڈسٹری بعض ساز و سامان کی درآمدات کے حوالے سے مسائل کا سامنا کر رہی ہے، GSK پاکستان کی اس تمام صورتحال پر گہری نظر ہے اور یہ متبادل ذرائع کی تخلیق پر کام کر رہا ہے، تاہم، متاثرہ مصنوعات کی لاگت پر اس کے اثرات رونما ہوں گے۔

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


گلوبلسو اسمتھ کلائن پاکستان لمیٹڈ کے 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۔

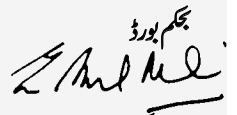
ستائشی کلمات:

GSK پاکستان ماہ اکتوبر کے دوران تجارتی سرگرمیوں میں SAP پر کامیابی کے ساتھ لائیو ہوا۔ یہ ایک منظم بنیادی عالمی پیشکش تھی جس میں ملکی اور غیر ملکی کئی کثیرالفعالی ٹیمیں شامل تھیں۔ COVID-19 کے باعث ورچوئل نفاذ مشکلات کا حامل تھا، تاہم ٹیم نے عمدہ ثابت قدمی اور خلوص کا مظاہرہ کیا۔ یہ پورے GSK گلوبل میں ریکارڈ ساز SAP نفاذ ثابت ہوا ہے۔

GSK پاکستان نے حال ہی میں فارما کیٹیگری کے تحت بہترین کارپوریٹ رپورٹ میں پہلی پوزیشن حاصل کی ہے۔

بورڈ کی طرف سے ہم GSK پاکستان کی پوری ٹیم کا شکریہ ادا کرتے ہیں جنہوں نے مریضوں کے لیے ادویات کی فراہمی کو یقینی بنانے میں اپنے شاندار کردار اور استقامت کا مظاہرہ کیا۔ ہم ان مشکل حالات میں اپنے وینڈرز اور چینل پارٹنرز کی معاونت پر انہیں بھی خراج تحسین پیش کرتے ہیں۔


عبدالصمد
ڈائریکٹر


ارم شاہ کریم
چیف ایگزیکٹو آفیسر

کراچی

18 اکتوبر، 2020

(c)	ڈسکلوزر کمیٹی
i-	ارم شا کر رجم - چیئر پرسن
ii-	عبدالصمد - ممبر
iii-	ڈیما سٹرو اولینک - ممبر

(d)	ریسک مینجمنٹ کمیٹی
i-	GSK - RMCB پاکستان کی مینجمنٹ ٹیم پر مشتمل

کاروباری عملی نتائج کا جائزہ:

COVID-19 کی وجہ سے سال 2020ء اپنے آغاز سے تاحال مشکل مالی صورتحال سے دوچار رہا، لیکن کمپنی نے بہر حال اپنی کاروباری سرگرمیوں، ملازمین کا خیال رکھنے اور کاروباری معاہدوں کی بروقت تکمیل میں کوئی تعطل نہیں آنے دیا۔

30 ستمبر 2020ء کو ختم شدہ نو ماہ کی مدت میں کمپنی نے گزشتہ سال 25.8 بلین روپے کے مقابلے میں 26.6 بلین روپے کی نیٹ سیلز کا ہدف حاصل کیا۔ کمپنی کی خالص سیلز میں گلکسو اسمتھ کلائن کنزیومر ہیلتھ کیئر پاکستان لمیٹڈ کو کمپنی کی جانب سے تیار کردہ اُن مصنوعات کی مد میں (گزشتہ سال اسی مدت کے دوران کی جانے والی 3.2 بلین روپے کے مقابلے میں) 0.97 بلین روپے کی انٹرنیشنل سیلز بھی شامل ہیں جن کے مجاز بازاری حقوق گلکسو اسمتھ کلائن پاکستان لمیٹڈ کے پاس رہیں گے۔ جیسا کہ گزشتہ سہ ماہی کی رپورٹ میں بتایا گیا تھا، مجاز بازاری حقوق کی منتقلی شروع ہو چکی ہے اور بعض مصنوعات گلکسو اسمتھ کلائن کنزیومر ہیلتھ کیئر کو پہلے ہی منتقل کی جا چکی ہیں۔ خام اور پیکیجنگ کے مال کی خریداری اور ان مصنوعات کی پیداوار اب گلکسو اسمتھ کلائن کنزیومر ہیلتھ کیئر کی جانب سے منظم کی جائے گی۔ باقی ماندہ مصنوعات پر عملدرآمد اسی سال مکمل ہو جائے گا۔

ہمارے بنیادی فارماسیوٹیکل بزنس کی خالص سیلز 25.6 بلین روپے رہیں، جو کہ اس سال اب تک 13 فیصد کی گروتھ کو ظاہر کرتی ہیں۔ اس مدت میں ہماری سیلز میں تیسری سہ ماہی کے دوران ڈسٹری بیوٹرز کے ساتھ تخلیق کردہ اسٹاک بھی شامل ہے، جبکہ ہم اکتوبر میں SAP ERP سسٹم کی جانب منتقل ہوئے ہیں اور ہماری پیشتر انوائٹنگ اور ترسیل کی ذمہ داریاں زیر التواء رہیں گی۔ یکبارگی اسٹاک کی تخلیق اور Ranitidine کی حامل مصنوعات کے عدم تسلسل کے اثرات کو نظر انداز کرتے ہوئے، کمپنی نے 8 فیصد کی ایک صحتمند ضمنی گروتھ حاصل کی جو کہ 2020ء کی پہلی ششماہی سے بھی بہتر ہے۔

عالمی وبا اور ملک بھر میں لاک ڈاؤن کی پُر پیچ صورتحال کے باوجود، GSK پاکستان مریضوں کے لیے معیاری ادویات تک رسائی یقینی بنانے کے لیے کوشاں رہا۔ ہمارا انتہائی اہمیت کا حامل عملہ مینوفیکچرنگ اور اس کے ساتھ ساتھ فیلڈ میں بنیادی شعبوں، اسپتالوں اور سرکاری اداروں، دونوں سطح پر فعال رہا۔ GSK پاکستان نے صورتحال کے مطابق خود کو بروقت ڈھالا اور ڈیجیٹل ذرائع سے اپنے ہیلتھ کیئر پارٹنرز سے رابطہ قائم رکھا۔ ہم نے اپنے ہیلتھ کیئر پرفیشنل (ڈاکٹر اور دواساز) کے لیے مزید ویب ٹویب سیمینارز شروع کیے۔ جیسا کہ عالمی سطح پر دیکھا گیا، عالمی وبا کے دوران خصوصاً شدید اور فوری نوعیت کی بیماریوں کے علاج کے لیے آنے والے مریضوں میں کمی دیکھی گئی۔ تاہم حالات دوبارہ معمول پر آنے کے بعد، GSK پاکستان نے تجارتی عملے کی مدد سے COVID سے قبل کی شمولیتی سطح پر کام کی رفتار میں اضافہ کر دیا ہے۔

زیر جائزہ مدت میں خام منافع گزشتہ سال کے مقابلے میں 1 فیصد بہتر GP کے ساتھ 6.03 بلین روپے ریکارڈ کیا گیا۔ اس بہتری کی بنیادی وجہ شرح مبادلہ میں استحکام اور اس کے ساتھ ساتھ مصنوعات میں بہتر تنوع اور پورے ادارے میں موثر بلحاظ لاگت اقدامات کا تسلسل تھا۔

فروخت، مارکیٹنگ اور ڈسٹری بیوٹن کے اخراجات 2.1 بلین روپے ریکارڈ کیے گئے، گویا ان میں 13.8 فیصد کمی آئی، جس کا بنیادی سبب COVID 19 لاک ڈاؤن کی وجہ سے اخراجات میں کمی تھی جب کمپنی نے ہیلتھ کیئر پرفیشنلز اور دیگر کسٹمرز کے ساتھ روابط کو واپس چوک ڈرائیج سے منظم رکھا۔ انتظامی اخراجات 1.1 بلین روپے ریکارڈ کیے گئے؛ اس میں اضافے کی سب سے بڑی وجہ پہلی سہ ماہی میں ریکارڈ کردہ یکدم شدت ادائیگی کی لاگت اور افراط زر کے اثرات ہیں۔ ہمارے مالیاتی چارجز میں بھی گزشتہ سال کے مقابلے میں نمایاں کمی دیکھنے میں آئی۔

اس مدت کے دوران ہمارا بعد از ٹیکس منافع 2.4 بلین روپے رہا جو گزشتہ سال کے مقابلے میں عمدہ گروتھ کو ظاہر کرتا ہے۔ اس مدت کے دوران ہمارے کیش اور کیش کے مساوی اثاثوں میں 1.3 بلین روپے سے اضافہ ہوا، جس کی بنیادی وجہ کاروباری سرگرمیوں سے حاصل کردہ منافع اور ورکنگ کیپٹل میں ہونے والی تبدیلیاں تھیں۔

ڈائریکٹرز کا جائزہ:

ہم، بورڈ آف ڈائریکٹرز کی طرف سے، آپ کی کمپنی کی غیر آڈٹ شدہ مالیاتی تفصیلات برائے مدت اختتام 30 ستمبر، 2020ء 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 تشکیل ساخت:

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

(a)	مرد:	5
(b)	خواتین:	2

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

کیٹگری

خود مختار ڈائریکٹر

نام
• ماہین رحمان
• منیر کمال

ایگزیکٹو ڈائریکٹرز

• ارم شا کرجم
• عبدالصمد

نان ایگزیکٹو ڈائریکٹرز

• محمود مانڈوی والا
• ڈیما سٹر 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-	ماہین رحمان -	ممبر
iii-	محمود مانڈوی والا -	ممبر
iv-	ڈیما سٹر اولینک -	ممبر
v-	سید احسن اعجاز -	سیکرٹری

(b) ہیومن ریسورس اور مشاہرہ کمیٹی

i-	ماہین رحمان -	چیئر پرسن
ii-	محمود مانڈوی والا -	ممبر
iii-	ڈیما سٹر اولینک -	ممبر
iv-	مارک ڈاسن -	ممبر
v-	ارم شا کرجم -	ممبر
vi-	فرقلیت اقبال -	سیکرٹری

Condensed Interim Statement of Financial Position

As at September 30, 2020

Rupees '000	Note	(Un-audited) September 30, 2020	(Audited) December 31, 2019
ASSETS			
Non-current assets			
Property, plant and equipment	4	9,739,590	9,480,061
Intangibles	5	1,041,742	1,041,742
Long-term loans to employees		73,026	103,224
Long-term deposits		22,011	22,010
		10,876,369	10,647,037
Current assets			
Stores and spares		207,718	206,202
Stock-in-trade		6,776,965	6,070,253
Trade debts		1,607,124	1,126,700
Loans and advances		281,035	347,465
Trade deposits and prepayments		210,986	313,979
Interest accrued		1,085	1,573
Taxation - payments less provision		143,031	679,876
Refunds due from government		18,683	30,543
Other receivables		700,481	1,105,578
Investments - at amortised cost		198,123	342,863
Cash and bank balances		3,838,419	2,347,033
		13,983,650	12,572,065
Total assets		24,860,019	23,219,102
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital		3,184,672	3,184,672
Reserves		13,171,733	12,952,724
		16,356,405	16,137,396
LIABILITIES			
Non-current liabilities			
Staff retirement benefits		626,781	228,437
Deferred taxation		728,816	645,955
Long-term portion of lease liabilities		40,288	42,564
		1,395,885	916,956
Current liabilities			
Trade and other payables	6	6,903,488	5,977,292
Accrued mark-up		-	2,353
Provisions	7	74,554	78,762
Current portion of lease liabilities		6,745	8,867
Unclaimed dividend		122,942	97,476
		7,107,729	6,164,750
Total liabilities		8,503,614	7,081,706
Total equity and liabilities		24,860,019	23,219,102
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, 2020 (unaudited)

Rupees '000	Note	Quarter ended		Nine months ended	
		September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Revenue from contracts with customers	9	10,812,709	8,171,440	26,585,018	25,824,915
Cost of sales		(8,239,694)	(6,218,191)	(20,551,253)	(20,259,214)
Gross profit		2,573,015	1,953,249	6,033,765	5,565,701
Selling, marketing and distribution expenses	10	(687,941)	(768,858)	(2,096,002)	(2,432,582)
Administrative expenses		(307,117)	(262,522)	(1,072,382)	(824,608)
Other operating expenses		(161,724)	(109,857)	(327,793)	(244,845)
Other income	11	473,070	434,457	1,280,653	1,072,894
Operating profit		1,889,303	1,246,469	3,818,241	3,136,560
Financial charges		(29,482)	27,439	(48,623)	(275,839)
Profit before taxation		1,859,821	1,273,908	3,769,618	2,860,721
Taxation		(733,680)	(350,147)	(1,400,129)	(1,062,372)
Profit after taxation		1,126,141	923,761	2,369,489	1,798,349
Other comprehensive loss					
Items that will not be reclassified to statement of profit or loss					
Remeasurement of staff retirement benefits	3.5	(337,331)	-	(337,331)	-
Impact of taxation		97,655	-	97,655	-
		(239,676)	-	(239,676)	-
Total comprehensive income		886,465	923,761	2,129,813	1,798,349
Earnings per share	12	Rs. 3.54	Rs. 2.90	Rs. 7.44	Rs. 5.65

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, 2020 (unaudited)

Rupees '000	Share capital	Capital reserves	Reserves		Total Reserves	Total	
			Reserve arising on Schemes of Arrangements	Revenue Reserves			
				General reserve			Unappropriated profit
Balance as at January 1, 2019	3,184,672	1,126,923	3,999,970	7,107,885	12,234,778	15,419,450	
Final dividend for the year ended December 31, 2018 @ Rs. 7 per share	-	-	-	(2,229,271)	(2,229,271)	(2,229,271)	
Total comprehensive income for the nine months ended September 30, 2019	-	-	-	1,798,349	1,798,349	1,798,349	
Balance as at September 30, 2019	3,184,672	1,126,923	3,999,970	6,676,963	11,803,856	14,988,528	
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)	
Profit after taxation for the nine months ended September 30, 2020	-	-	-	2,369,489	2,369,489	2,369,489	
nine months ended September 30, 2020 - net of tax	-	-	-	(239,676)	(239,676)	(239,676)	
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	

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, 2020 (unaudited)

Rupees '000	Note	September 30, 2020	September 30, 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	13	4,682,608	1,686,059
Staff retirement benefits paid		(78,138)	(264,564)
Income taxes paid		(780,423)	(1,624,759)
Mark-up paid		(2,353)	-
Increase / (decrease) in long-term loans to employees		30,198	(15,500)
Net cash generated from / (used in) operating activities		3,851,892	(218,764)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(819,728)	(751,491)
Proceeds from sale of operating assets		37,175	57,294
Return received		171,037	52,472
Net cash used in investing activities		(611,516)	(641,725)
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease rentals paid		(8,392)	(20,853)
Dividend paid		(1,885,338)	(2,218,047)
Net cash used in financing activities		(1,893,730)	(2,238,900)
Net decrease in cash and cash equivalents		1,346,646	(3,099,389)
Cash and cash equivalents at beginning of the period		2,689,896	3,432,851
Cash and cash equivalents at end of the period	14	4,036,542	333,462

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, 2020 (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.

- 1.1 Due to the pending transfer of marketing authorisations and certain permissions for 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. During the year, 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.
- 1.2 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, pharmaceutical 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, 2019.

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

Certain amendments and interpretations became effective that are mandatory for accounting periods beginning on or after January 01, 2020.

Effective from accounting periods beginning on or after:

Amendments to the conceptual framework for financial reporting, including amendments to references to the conceptual framework in IFRS	January 01, 2020
Amendments to IFRS 3 'Business Combinations' - Definition of a business	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of material	January 01, 2020
Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' - Interest rate benchmark reform	January 01, 2020
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions	January 01, 2020

However, these are not relevant for the Company's condensed interim financial statements and therefore have not been discussed in detail.

Notes to the Condensed Interim Financial Statements

For the nine months ended September 30, 2020 (unaudited)

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, 2019.

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, 2019.

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, 2019, other than those mentioned in note 3.5.

3.5 Change in estimate of staff retirement benefits

During the period, keeping in view the fluctuations in interest rates and COVID-19 impacts, actuarial valuation was carried out as of September 30, 2020 as a result of which an actuarial loss has been recognised amounting to Rs. 337.33 million. The changes in actuarial assumptions are as under:

	Gratuity plans	
	(Un-audited) September 30, 2020 %	(Audited) December 31, 2019 %
Discount rate at September 30	8.50	12.00
Future salary increases	8.50	12.00

	Note	(Un-audited) September 30, 2020	(Audited) December 31, 2019
Rupees '000			
4. PROPERTY, PLANT AND EQUIPMENT			
Operating assets	4.1	8,547,785	8,673,011
Capital work-in-progress		995,548	599,311
Right-of-use assets		41,709	52,011
Major spare parts and standby equipments		154,548	155,728
		<u>9,739,590</u>	<u>9,480,061</u>

Notes to the Condensed Interim Financial Statements

For the nine months ended September 30, 2020 (unaudited)

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)	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Improvements on buildings	107,949	107,512	-	-
Plant and machinery	142,614	131,731	2,762	-
Furniture and fixtures	20,866	9,967	-	5,880
Vehicles	135,784	149,164	21,139	37,512
Office equipments	21,815	75,682	-	675
	<u>429,028</u>	<u>474,056</u>	<u>23,901</u>	<u>44,067</u>

4.2 The Company intends to dispose off its old and inactive warehouses situated in 6 different locations across the country having total carrying value of Rs. 83 million. The management is initiating necessary procedure for their disposal.

Rupees '000	Note	(Un-audited)	(Audited)
		September 30, 2020	December 31, 2019
5. INTANGIBLES			
Goodwill		955,742	955,742
Marketing authorisation rights	5.1	86,000	86,000
		<u>1,041,742</u>	<u>1,041,742</u>

5.1 This represents Rs. 86 million paid as consideration for acquiring market authorisation rights of Traxon from Akhai Pharmaceuticals (Private) Limited.

Rupees '000	(Un-audited)	(Audited)
	September 30, 2020	December 31, 2019
6. TRADE AND OTHER PAYABLES		
Creditors and bills payable	2,360,570	1,698,945
Accrued liabilities	2,146,399	2,522,647
Others	2,396,519	1,755,700
	<u>6,903,488</u>	<u>5,977,292</u>
7. PROVISIONS		
Balance at beginning of the period	78,762	74,602
Charge for the period	299,201	452,606
Payments during the period	(303,410)	(448,446)
Balance at end of the period	<u>74,553</u>	<u>78,762</u>

Notes to the Condensed Interim Financial Statements

For the nine months ended September 30, 2020 (unaudited)

8. CONTINGENCIES AND COMMITMENTS

8.1 Following is the change in the status of contingencies as reported in the financial statements for the year ended December 31, 2019:

(i) During year ended December 31, 2018, the AO raised aggregate demand of Rs. 31.39 million in tax years 2014, 2015 and 2016 on the issue of non-withholding of tax on sale by auction / tender. Against the orders of AO, the Company has filed an appeal before CIRA. The CIRA confirmed the order of AO against which the Company filed appeal before the ATIR. The ATIR maintained the order of CIRA except for the penalty under section 182 of the Income Tax Ordinance, 2001 against which the Company filed appeal before the Sindh High Court on 22 September 2020.

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, 2020, amounted to Rs. 435.06 million (December 31, 2019: Rs. 594.37 million).

9. REVENUE FROM CONTRACTS WITH CUSTOMERS

9.1 The net sales include sales of Over the Counter Products amounting to Rs. 0.97 billion (September 30, 2019: 3.17 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. 226.23 million (September 30, 2019: Rs. 349.99 million).

Rupees '000	Quarter ended (Un-audited) September 30, 2020	Quarter ended (Un-audited) September 30, 2019	Nine months ended - (Un-audited) (Un-audited) September 30, 2020	Nine months ended - (Un-audited) (Un-audited) September 30, 2019
11. OTHER INCOME				
Income from financial assets				
Return on Treasury bills	1,072	243	13,445	9,996
Income on savings and deposit accounts	29,982	2,718	157,104	74,191
	31,054	2,961	170,549	84,187
Income from non-financial assets				
Gain on disposal of operating assets	3,872	3,940	13,274	26,825
Others				
Scrap sales	15,811	8,012	39,551	35,676
Insurance Commission	-	4,911	-	14,732
Promotional allowance - note 11.1	395,858	400,000	951,702	867,000
Liabilities no longer payable written off	17,978	-	79,226	-
Service fee	3,000	3,000	9,000	9,000
Others	5,497	11,633	17,351	35,474
	473,070	434,457	1,280,653	1,072,894

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

Notes to the Condensed Interim Financial Statements

For the nine months ended September 30, 2020 (unaudited)

Rupees '000	(Un-audited) September 30, 2020	(Un-audited) September 30, 2019
12. EARNINGS PER SHARE		
Profit after taxation	2,369,489	1,798,349
	Number of shares	
Weighted average number of shares outstanding during the period	318,467,278	318,467,278
Earnings per share - basic	Rs. 7.44	Rs. 5.65

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, 2020	(Un-audited) September 30, 2019
13. CASH GENERATED FROM OPERATIONS		
Profit before taxation	3,769,618	2,860,721
Add / (less): Adjustments for non-cash charges and other items		
Depreciation and impairment	536,297	562,856
Provision for slow moving, obsolete and damaged stock-in-trade net of stock written off	31,167	478,940
Gain on disposal of operating fixed assets	(13,274)	(26,825)
Interest income	(170,549)	(84,187)
Financial charges	3,994	94,172
Provision for staff retirement benefits	236,806	211,302
Profit before working capital changes	4,394,059	4,096,979
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Stores and spares	(1,516)	58,557
Stock-in-trade	(737,879)	(3,531,253)
Trade debts	(480,424)	711,482
Loans and advances	66,430	(109,220)
Trade deposits and prepayments	102,993	(54,384)
Refunds due from the government	11,860	3,174
Other receivables	405,097	(298,676)
	(633,439)	(3,220,320)
Increase / (decrease) in current liabilities		
Trade and other payables	926,196	845,554
Provisions	(4,208)	(36,154)
	288,549	(2,410,920)
	4,682,608	1,686,059

Notes to the Condensed Interim Financial Statements

For the nine months ended September 30, 2020 (unaudited)

Rupees '000	(Un-audited) September 30, 2020	(Un-audited) September 30, 2019
14. CASH AND CASH EQUIVALENTS		
Cash and bank balances	3,838,419	333,462
Investments - at amortised cost	198,123	-
	4,036,542	333,462

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, 2020	(Un-audited) September 30, 2019
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	1,841,209
	Associated companies:	a. Royalty expense charged	251,445
		b. Purchase of goods	5,920,030
		c. Sale of goods	3,252,392
		d. Recovery of expenses - note 15.1.1	744,496
		e. Services fees	9,000
		f. Sales as an agent of GSK CH	4,938,078
		g. Promotional allowance	867,000
	Staff retirement funds:	a. Expense charged for retirement benefit plans	211,302
		b. Payments to retirement benefit plans	282,538
	Key management personnel:	a. Salaries and other employee benefits	209,200
		b. Post employment benefits	15,700
		c. Proceeds from sale of fixed assets	15,327

15.1.1 This includes reimbursement from GSK Group of one-off severance cost of Nil (September 30, 2019: Rs. 348.8 million) incurred during the period to restructure our sales operations.

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


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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