



do more
feel better
live longer



AGILE TRANS FORM MATION

Agile Transformation

First Quarter Report 2020

Corporate Information

as at March 31, 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

Ms. Maheen Rahman
Chairperson

Mr. Dmytro Oliinyk
Member

Mr. Mark Dawson
Member

Mr. Mehmood Mandviwalla
Member

Human Resource & Remuneration Committee

Ms. Maheen Rahman
Chairperson

Mr. Dmytro Oliinyk
Member

Mr. Mehmood Mandviwalla
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 1 - Classic and Established Products, Vaccines and Dermatology

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. Muhammad Imran Amin
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

Ms. Samreen Hashmi Kidwai
Business Unit Director 2 - Classic and Established Products

Imtiaz Hussain
Site Director - West Wharf

Javed Tariq
Site Director - Korangi

Joseph Thibaut
Site Director - F/268

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

* Ms. Erum Shakir Rahim succeeded Mr. M. Azizul Huq on 1 March 2020

** Mr. Muneer Kamal appointed Independent Director of GSK Pakistan Limited as at 2 April 2020 replacing Mr. Sohail Ahmed

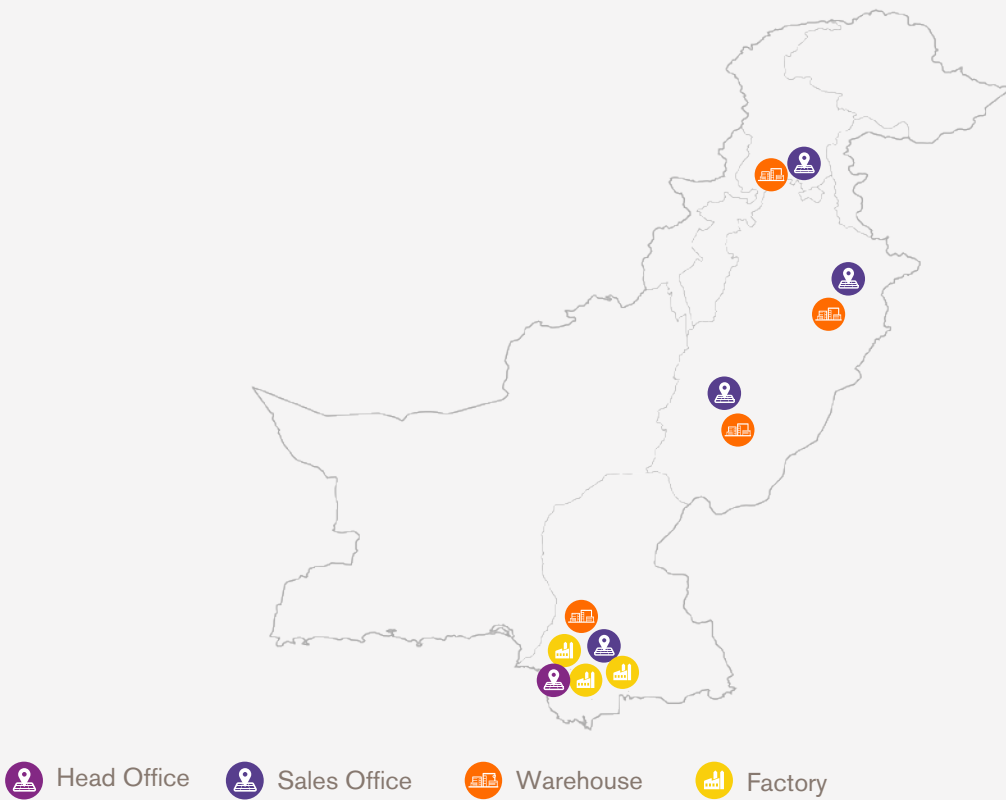
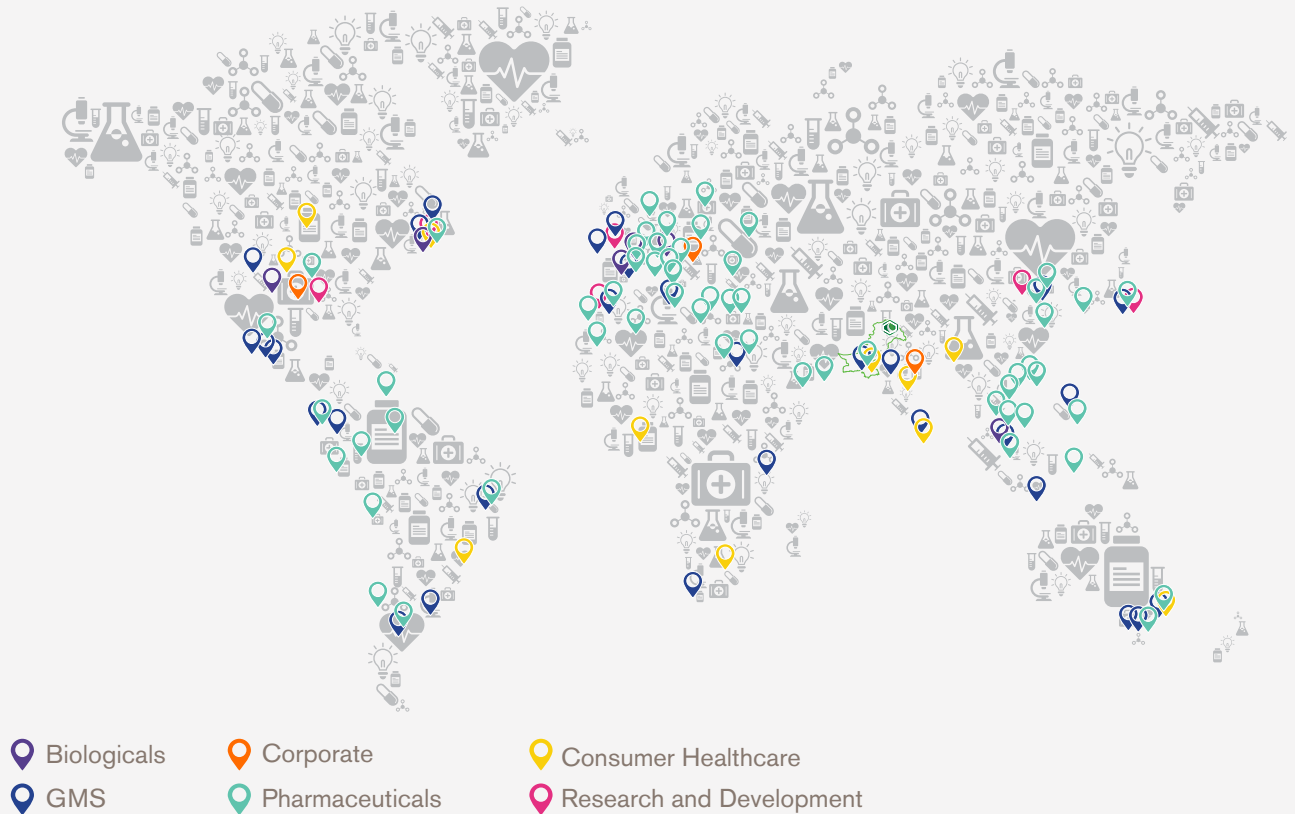


Sykes Building



Pakistan Market Overview

Archetype and Players in Value Chain



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 quarter ended March 31, 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 as per the following:

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 ShakirAbdul 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

- Ms. Maheen Rahman - Chairperson
- Mr. Mark Dawson
- Mr. Dmytro Oliinyk
- Mr. Mehmood Mandviwalla
- Syed Ahsan Ejaz - Secretary

b) HR and Remuneration Committee

- Ms. Maheen Rahman - Chairperson
- Mr. Dmytro Oliinyk
- Mr. Mehmood Mandviwalla
- Ms. Erum Shakir Rahim
- Mr. Farqaleet Iqbal - Secretary

c) Risk Management Committee

- RMCB – consisting of GSK Pakistan Management Team

* Mr. Muneer Kamal appointed Independent Director of GSK Pakistan Limited as at 2 April 2020 replacing Mr. Sohail Ahmed

Review of Operating Results:

The first quarter 2020 commenced in a challenging business environment, primarily because of the economic slowdown due to stabilization policies and macroeconomic

intervention that the country is going through under the IMF programme. In addition to the economic slowdown, the COVID 19 pandemic which has hit the country hard towards the end of this quarter which has also impacted businesses across the board. The Company has so far responded well in the current COVID situation by having put in place and implementing crisis management plans that ensure people safety, employee engagement, business continuity ensuring supplies of medicine to patients as well as supporting the community.

During the first quarter, Company achieved net sales of Rs. 8.03 billion. Total sales of the company also includes sales of Rs. 0.47 billion to GlaxoSmithKline Consumer Healthcare Pakistan Limited on account of products manufactured by the Company for which market authorization rights will remain with GlaxoSmithKline Pakistan Limited. However, during the first quarter of 2020, the transfer of market authorization rights has started and some products have already been transferred to GlaxoSmithKline Consumer Healthcare. This process is likely to be completed within this year.

Our core pharmaceutical business sales is Rs 7.6 billion, reflecting a low growth of 2.0% vs same period last year, primarily due to challenging business conditions, supply phasing and the prevailing environment mentioned above.

The gross margin dropped to 20.5% from 23.7% compared to same period last year. The decline in gross margin is largely due to rupee devaluation which has increased the cost of imported and local raw and packaging materials. Margin dilution has been partially mitigated through across-the-board devaluation price increase given to the industry by the Government in 1st quarter last year, the impact of which is fully reflected in the current quarter compared to the same period last year. The Company is also continuously working on manufacturing efficiencies to control costs.

Selling, marketing and distribution expenses were recorded at Rs. 0.84 billion, a decrease of Rs. 0.31 billion from last year, mainly attributable to a one-off severance cost reflected in the prior year and because of controlled spend.

Administrative expenses were recorded at Rs. 0.47 billion; increase under this head is mainly due to one-off severance cost recorded in the current year.

Despite the economic challenges and reason mentioned above, your Company posted an after-tax net profit of Rs. 0.43 billion, as compared to Rs. 0.53 billion for the same period last year.

Outlook and Challenges

The COVID pandemic has triggered a global recession and has significantly impacted the Country's economy. The outbreak situation is evolving in the country and its potential impact on the Company's financial performance and supply continuity remains uncertain. Up to the date of this Report, the outbreak has not thus far had a material impact on the financial results of the Company.

Presently, the pharmaceutical sector has been allowed to continue operations by both provincial and federal governments in order to ensure availability of the many essential and critical products we manufacture and supply to the market. Due to the current lock down, the OPDs of the hospital and doctors' clinics remain largely non-operational, which is affecting patient flow, prescriptions and thus the demand for medicines. We are also facing some supply challenges in term of delays in importing APIs and other raw materials from China and other countries. At present all our three manufacturing sites remained operational to ensure that the many essential and life-saving medicines we manufacture remain available to the people during these challenging times.

Due to current challenges, we expect a further reduction in economic growth of the country and pressure on the foreign currency exchange rates. We will continue to monitor the situation closely and prioritize our focus on full resumption of commercial activities, supply continuity and employee wellbeing.

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:

On behalf of the Board we would like to thank the entire GSK team and specially to our supply chain team for their outstanding contribution in ensuring un-interrupted supply of medicines to the people that need them in such unprecedented times and difficult circumstances. 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
May 15, 2020



Abdul Samad
Director

موجودہ لاک ڈاؤن کے باعث، اسپتال کی او پی ڈیز اور ڈاکٹرز کے کلینکس بڑے پیمانے پر غیر فعال ہیں، جس سے مریضوں کی آمد، نسخوں کی تشخیص اور نتیجتاً ادویات کی طلب پر منفی اثر پڑا ہے۔ ہمیں جین اور دوسرے ممالک سے سے اے پی آئیر اور دیگر خام مال کی درآمد میں تاخیر کے باعث رسد کے حوالے سے بھی کچھ مسائل کا سامنا ہے۔ اس وقت ہماری تینوں میڈیکل پراجیکٹس فعال اور سرگرم عمل ہیں تاکہ اس بات کو یقینی بنایا جائے کہ ہماری تیار کردہ بہت سی ناگزیر اور زندگیاں بچانے والی ادویات ان مشکل حالات میں بھی لوگوں کے لیے دستیاب رہیں۔

موجودہ مسائل کے پیش نظر، ملک کی معاشی ترقی میں مزید کمی اور غیر ملکی کرنسی کی شرح مبادلہ پر دباؤ متوقع ہے۔ ہم صورتحال کی بغور نگرانی کرتے رہیں گے اور اپنی بھرپور توجہ تجارتی سرگرمیوں کے دوبارہ آغاز، رسد تسلسل اور ملازمین کی فلاح و بہبود پر مرکوز رکھیں گے۔

نان ایگزیکٹو بورڈ ڈائریکٹرز کے لیے GSK پاکستان لیٹڈ کی مشاہرہ پالیسی
 گلیکسو اسمتھ کلائن پاکستان لیٹڈ کے نان ایگزیکٹو بورڈ ڈائریکٹرز موزوں طور پر تخلیق شدہ مارکیٹ کے معیار پر مبنی، ایچ آر اور مشاہرہ کمیٹی کی جانب سے منظور کردہ مشاہرے کے حقدار ہوں گے۔

تعاون کا اعتراف:

بورڈ کی طرف سے ہم تمام تر GSK ٹیم اور خصوصاً اپنی رسدی تسلسل کی ٹیم کا شکریہ ادا کرتے ہیں جنہوں نے اس آفت زدہ اور مشکل حالات میں لوگوں کے لیے ضروری ادویات کی بلا تعطل فراہمی 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۔

بحکم بورڈ



ارم شاکر جیم
 چیف ایگزیکٹو آفیسر

کراچی

15 مئی، 2020ء



عبدالصمد
 ڈائریکٹر

ڈائریکٹرز کا جائزہ:

ہم، بورڈ آف ڈائریکٹرز کی طرف سے، آپ کی کمپنی کی غیر آڈٹ شدہ مالیاتی تفصیلات برائے اختتام سے ماہی مدت 31 مارچ، 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 تھیلی ساخت:

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

a) مرد:	5
b) خواتین:	2

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

کیٹگری	نام
خود مختار ڈائریکٹر	• ماہین رحمان • منیر کمال*
ایگزیکٹو ڈائریکٹر	ارم شاکر عبدالصمد
نان ایگزیکٹو ڈائریکٹر	محمود مانڈوی والا ڈیمائٹرو اولینک (Dmytro Oliinyk) مارک ڈاؤسن (Mark Dawson)
خاتون ڈائریکٹر	ماہین رحمان

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

a) آڈٹ کمیٹی

- محترمہ ماہین رحمان - چیئر پرسن
- محترم مارک ڈاؤسن
- محترم ڈیمائٹرو اولینک
- محترم محمود مانڈوی والا
- محترم سید احسن اعجاز - سیکریٹری

b) ہیومن ریسورس اور مشاہرہ کمیٹی

- محترمہ ماہین رحمان - چیئر پرسن
- محترم ڈیمائٹرو اولینک
- محترم محمود مانڈوی والا
- محترمہ ارم شاکر رحیم
- محترم فرقیات اقبال - سیکریٹری

c) ریسک مینجمنٹ کمیٹی

i) RMCB - GSK پاکستان کی مینجمنٹ ٹیم پر مشتمل

*محترم سہیل احمد کی جگہ محترم منیر کمال کی تقرری GSK پاکستان لیٹڈ میں 2 اپریل 2020ء کو بطور خود مختار ڈائریکٹر کی گئی۔

کاروباری عملی نتائج کا جائزہ:

2020ء کی پہلی سہ ماہی کا آغاز ایک مشکل کاروباری فضا کے زیر اثر ہوا، جس کی بنیادی وجہ مستحکم پذیر پالیسیز اور کئی معاشی مداخلت کے سبب وہ معاشی سُست روی ہے جس سے اس وقت ملک آئی ایم ایف پروگرام کے تحت گزر رہا ہے۔ معاشی سُست روی کے علاوہ، اس سہ ماہی کے اواخر میں ملک میں داخل ہونے والی COVID-19 کی عالمگیر وبا نے بھی بحیثیت مجموعی تمام تر کاروباری سرگرمیوں کو متاثر کیا۔ کمپنی نے COVID کی اس ناگفتہ بہ صورتحال میں بحران سے نمٹنے کے منصوبوں کو مرتب اور نافذ کر کے عمدہ ردِ عمل کا اظہار کیا ہے

جس نے نہ صرف مریضوں کو ادویات کی مسلسل فراہمی، بلکہ اس کے ساتھ ساتھ کمیونٹی کی معاونت کو جاری و ساری رکھتے ہوئے لوگوں کے تحفظ، ملازمین کی شرکتِ عمل اور کاروباری تسلسل کو یقینی بنایا ہے۔

پہلی سہ ماہی کے دوران، کمپنی نے 8.03 بلین روپے کی خالص سیلز حاصل کیں۔ کمپنی کی مجموعی سیلز میں گلیکسو اسمتھ کلائن کنزیومر ہیلتھ کیئر پاکستان لیٹڈ کو کمپنی کی جانب سے تیار کردہ اُن مصنوعات کی مد میں کی جانے والی 0.47 بلین روپے کی سیلز بھی شامل ہیں جن کے مجاز بازاری حقوق گلیکسو اسمتھ کلائن پاکستان لیٹڈ کے پاس رہیں گے۔ تاہم، 2020ء کی پہلی سہ ماہی کے دوران، مجاز بازاری حقوق کی منتقلی شروع ہو چکی ہے اور بعض مصنوعات گلیکسو اسمتھ کلائن کنزیومر ہیلتھ کیئر کو پہلے ہی منتقل کی جا چکی ہیں۔ امکان ہے کہ یہ عمل اس سال مکمل ہو جائے گا۔

ہمارے اساسی فارماسیوٹیکل کاروبار کی سیلز 7.6 بلین روپے ہیں، جو کہ گزشتہ سال کی اسی مدت کے مقابلے میں 2.0 فیصد کی کمتر بڑھوتری کو ظاہر کرتی ہیں، اس کی بنیادی وجہ مشکل کاروباری حالات، رسدی مرحلہ واریت اور مذکورہ بالا موجودہ فضا ہے۔

خام منافع گزشتہ سال کی اسی مدت کے 23.7 فیصد کے مقابلے میں کم ہو کر 20.5 فیصد ہو گیا۔ خام منافع میں کمی کی بڑی وجہ روپے کی قدر میں ہونے والی کمی ہے جس نے درآمد شدہ اور مقامی خام اور پیکیجنگ ساز سامان کی لاگت میں اضافہ کر دیا ہے۔ منافع میں ہونے والی اس تخفیف کے اثرات میں حکومت کے اس اقدام کے باعث کمی آئی ہے جو اس نے گزشتہ سال کی پہلی سہ ماہی میں انڈسٹری کو روپے کی قدر میں کمی کے ضمن میں مجموعی طور پر قیمت میں اضافے کی صورت میں فراہم کیا تھا، جس کے اثرات گزشتہ سال کی اسی مدت کے مقابلے میں رواں سہ ماہی میں پوری طرح دیکھے گئے۔ کمپنی لاگوں کو کنٹرول کرنے کے لیے یونیٹ پیپرنگ کے مؤثر پذیر عوامل پر بھی مسلسل کام کر رہی ہے۔

فروخت، مارکیٹنگ اور ڈسٹری بیوشن کے اخراجات 0.84 بلین روپے ریکارڈ کیے گئے، گویا ان میں گزشتہ سال کے مقابلے میں 0.31 بلین روپے کی کمی آئی، جس کا بنیادی سبب گزشتہ سال سامنے آنے والی یکسٹ ادائیگی کی لاگت اور کنٹروئلڈ اخراجات ہیں۔

انتظامی اخراجات 0.47 بلین روپے ریکارڈ کیے گئے، اس مد میں اضافے کی سب سے بڑی وجہ رواں سال کے دوران ریکارڈ کردہ یکسٹ ادائیگی کی لاگت ہے۔

مذکورہ بالا معاشی مسائل و اسباب کے باوجود، آپ کی کمپنی نے 0.43 بلین روپے کا بعد از ٹیکس منافع ریکارڈ کیا، جو کہ گزشتہ سال کی اسی مدت کے دوران 0.53 بلین روپے تھا۔

پیش منظر اور مسائل

COVID کی عالمگیر وبا نے عالمی بحران پیدا کیا ہے، چنانچہ ہمارے ملک کی معیشت پر بھی زبردست زد پڑی ہے۔ ملک میں اس وقت وبا پھیل رہی ہے اور کمپنی کی مالیاتی کارکردگی اور رسدی تسلسل پر اس کے ممکنہ اثرات تاحال غیر یقینی ہیں۔ اس رپورٹ کی تاریخ تک، اس وبا نے کمپنی کے مالیاتی نتائج پر زیادہ سنگین اثرات مرتب نہیں کیے ہیں۔

فی الحال، صوبائی اور وفاقی حکومتوں کی جانب سے فارماسیوٹیکل سیکٹر کو اپنی سرگرمیاں انجام دینے کی اجازت حاصل ہے، تاکہ اس بات کو یقینی بنایا جاسکے کہ ہماری تیار کردہ اور مارکیٹ میں فراہم کی جانے والی بے شمار انتہائی ضروری اور ناگزیر مصنوعات کی دستیابی جاری رہے۔

Condensed Interim Statement of Financial Position

As at March 31, 2020

Rupees '000	Note	(Un-audited) March 31, 2020	(Audited) December 31, 2019
ASSETS			
Non-current assets			
Property, plant and equipment	4	9,557,587	9,480,061
Intangibles	5	1,041,742	1,041,742
Long-term loans to employees		91,664	103,224
Long-term deposits		22,010	22,010
		10,713,003	10,647,037
Current assets			
Stores and spares		203,714	206,202
Stock-in-trade		6,321,168	6,070,253
Trade debts		1,447,856	1,126,700
Loans and advances		258,561	347,465
Trade deposits and prepayments		258,020	313,979
Interest accrued		-	1,573
Taxation - payments less provision		580,493	679,876
Refunds due from government		31,685	30,543
Other receivables		1,281,756	1,105,578
Investments - at amortised cost		-	342,863
Cash and bank balances		2,653,578	2,347,033
		13,036,831	12,572,065
Total assets		23,749,834	23,219,102
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital		3,184,672	3,184,672
Reserves		13,378,288	12,952,724
		16,562,960	16,137,396
LIABILITIES			
Non-current liabilities			
Staff retirement benefits		260,312	228,437
Deferred taxation		658,756	645,955
Long-term portion of lease liabilities		31,974	42,564
		951,042	916,956
Current liabilities			
Trade and other payables	6	5,943,630	5,977,292
Accrued mark-up		-	2,353
Provisions	7	164,844	78,762
Current portion of lease liabilities		15,632	8,867
Unclaimed dividend		111,726	97,476
		6,235,832	6,164,750
Total liabilities		7,186,874	7,081,706
Total equity and liabilities		23,749,834	23,219,102
Contingencies and commitments	8		

The annexed notes 1 to 17 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 Quarter ended March 31, 2020 (Unaudited)

Rupees '000	Note	March 31, 2020	March 31, 2019
Revenue from contracts with customers	9	8,033,916	8,368,051
Cost of sales		(6,388,120)	(6,384,989)
Gross profit		1,645,796	1,983,062
Selling, marketing and distribution expenses	10	(843,374)	(1,154,080)
Administrative expenses	11	(473,706)	(278,572)
Other operating expenses		(56,050)	(73,913)
Other income	12	420,891	342,490
Operating profit		693,557	818,987
Financial charges		(48,983)	(1,364)
Profit before taxation		644,574	817,623
Taxation		(219,010)	(284,713)
Profit after taxation		425,564	532,910
Other comprehensive income		-	-
Total comprehensive income		425,564	532,910
Earnings per share	13	Rs. 1.34	Rs. 1.67

The annexed notes 1 to 17 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 Quarter ended March 31, 2020 (Unaudited)

Rupees '000	Share capital	Reserves			Total Reserves	Total
		Capital reserves	Revenue Reserves			
		Reserve arising on Schemes of Arrangements	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
Total comprehensive income for the quarter ended March 31, 2019	-	-	-	532,910	532,910	532,910
Balance as at March 31, 2019	3,184,672	1,126,923	3,999,970	7,640,795	12,767,688	15,952,360
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

The annexed notes 1 to 17 form an integral part of this condensed interim financial statements.



Chief Executive



Chief Financial Officer



Director

Condensed Interim Statement of Cash Flows

For the Quarter ended March 31, 2020 (Unaudited)

Rupees '000	Note	March 31, 2020	March 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	14	284,280	(866,518)
Staff retirement benefits paid		(60,742)	(53,643)
Income taxes paid		(106,826)	(498,849)
Mark-up paid		(2,353)	-
Increase / (decrease) in long-term loans to employees		11,560	(12,762)
Net cash generated from / (used in) operating activities		125,919	(1,431,772)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(263,046)	(197,604)
Proceeds from sale of operating assets		17,120	47,967
Return received		89,036	71,071
Net cash used in investing activities		(156,890)	(78,566)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liabilities		(5,140)	(11,866)
Dividend paid		(207)	(4,048)
Net cash used in financing activities		(5,347)	(15,914)
Net increase / (decrease) in cash and cash equivalents		(36,318)	(1,526,252)
Cash and cash equivalents at beginning of the period		2,689,896	3,432,851
Cash and cash equivalents at end of the period	15	2,653,578	1,906,599

The annexed notes 1 to 17 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 Quarter ended March 31, 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. With effect from January 17, 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, marketing and managing of such inventory items.

1.2 The coronavirus outbreak situation is evolving in the country and its potential impact on the Company's financial performance and supply continuity remains uncertain. 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, 2019.

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, except for the changes in accounting policies as stated in note 3.2 below.

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, 2019, 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.

Notes to the Condensed Interim Financial Statements

For the Quarter ended March 31, 2020 (Unaudited)

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

3.2.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ending December 31, 2020

The following standards, amendments and interpretation are effective for the year ending December 31, 2020. 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
- IFRS 14 'Regulatory Deferral Accounts'	January 01, 2020
- Amendments to IFRS 3 'Business Combinations' - Amendments regarding the definition of business	January 01, 2020
- Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture	January 01, 2020
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) issued, requiring additional disclosures around uncertainty arising from the interest rate benchmark reform	January 01, 2020
- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Amendments regarding the definition of material	January 01, 2020
- Amendments to References to the Conceptual Framework in IFRS Standards	January 01, 2020

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, 2019.

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, 2019.

	Note	(Un-audited) March 31, 2020	(Audited) December 31, 2019
Rupees '000			
4. PROPERTY, PLANT AND EQUIPMENT			
Operating assets	4.1	8,574,551	8,673,011
Capital work-in-progress		779,553	599,311
Right-of-use assets		48,533	52,011
Major spare parts and standby equipments		154,950	155,728
		<u>9,557,587</u>	<u>9,480,061</u>

Notes to the Condensed Interim Financial Statements

For the Quarter ended March 31, 2020 (Unaudited)

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

Rupees '000	(Un-audited) Additions (at cost)	March 31, 2019	(Un-audited) Disposals (at net book value)	March 31, 2019
	March 31, 2020		March 31, 2020	
Improvements on buildings	-	10,472	-	-
Plant and machinery	-	8,446	1,915	-
Furniture and fixtures	-	-	-	5,880
Vehicles	82,338	75,575	8,845	21,572
Office equipments	1,679	15,181	-	-
	84,017	109,674	10,760	27,452

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

5.1 This includes Rs. Nil paid as consideration to Novartis Pharma (Pakistan) Limited (NPPL) in respect of acquiring marketing authorisation rights in relation to NPPL's vaccines business and Rs. 86 million paid as consideration for acquiring market authorisation rights of Traxon from Akhai Pharmaceuticals (Private) Limited.

Rupees '000	Note	(Un-audited)	(Audited)
		March 31, 2020	December 31, 2019
6. TRADE AND OTHER PAYABLES			
Creditors and bills payable		1,917,903	1,698,945
Accrued liabilities		2,188,163	2,522,647
Others		1,837,564	1,755,700
		5,943,630	5,977,292
7. PROVISIONS			
Balance at beginning of the period		78,762	74,602
Charge for the period		233,771	452,606
Payments during the period		(147,689)	(448,446)
Balance at end of the period		164,844	78,762

Notes to the Condensed Interim Financial Statements

For the Quarter ended March 31, 2020 (Unaudited)

8. COMMITMENTS

8.1 Commitments for capital expenditure outstanding as at March 31, 2020, amounted to Rs. 544.78 million (December 31, 2019: Rs. 594.37 million).

9. Revenue from contracts with customers

9.1 Revenue from contract with customers includes sales of Over the Counter Products amounting to Rs. 0.47 billion (March 31, 2019: 1.07 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. 169.22 million (March 31, 2019: Rs. 123.8 million).

11. ADMINISTRATIVE EXPENSES

This also includes charge for one-off severance cost of Rs.154 million.

Rupees '000	Quarter ended (Un-audited) March 31, 2020	(Un-audited) March 31, 2019
12. OTHER INCOME		
Income from financial assets		
Return on Treasury bills	12,373	8,961
Income on savings and deposit accounts	75,090	60,788
	87,463	69,749
Income from non-financial assets		
Gain on disposal of operating assets	6,360	20,515
Others		
Scrap sales	8,305	13,059
Insurance Commission	-	8,500
Promotional allowance - note 12.1	311,807	225,000
Service fee	3,000	3,000
Others	3,955	2,667
	420,891	342,490

12.1 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 Quarter ended March 31, 2020 (Unaudited)

Rupees '000	(Un-audited) March 31, 2020	(Un-audited) March 31, 2019
13. EARNINGS PER SHARE		
Profit after taxation	425,564	532,910
	Number of shares	
Weighted average number of shares outstanding during the period	318,467,278	318,467,278
Earnings per share - basic	Rs. 1.34	Rs. 1.67

13.1 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, 2020	(Un-audited) March 31, 2019
14. CASH GENERATED FROM OPERATIONS		
Profit before taxation	644,574	817,623
Add / (less): Adjustments for non-cash charges and other items		
Depreciation and impairment	174,760	172,488
Provision for slow moving, obsolete and damaged stock-in-trade net of stock written off	(42,033)	10,265
Gain on disposal of operating fixed assets	(6,360)	(20,515)
Interest income	(87,463)	(69,159)
Mark-up expense	1,315	-
Provision for staff retirement benefits	92,617	67,255
Profit before working capital changes	777,410	977,957
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Stores and spares	2,488	51,595
Stock-in-trade	(208,882)	(2,666,115)
Trade debts	(321,156)	(21,652)
Loans and advances	88,904	(111,039)
Trade deposits and prepayments	55,959	(173,105)
Refunds due from the government	(1,142)	1,951
Other receivables	(176,178)	59,023
	(560,007)	(2,859,342)
Increase / (Decrease) in current liabilities		
Trade and other payables	(19,205)	997,959
Provisions	86,082	16,908
	(493,130)	(1,844,475)
	284,280	(866,518)

Notes to the Condensed Interim Financial Statements

For the Quarter ended March 31, 2020 (Unaudited)

Rupees '000	(Un-audited) March 31, 2020	(Un-audited) March 31, 2019
15. CASH AND CASH EQUIVALENTS		
Cash and bank balances	2,653,578	1,707,922
Investments - at amortised cost	-	198,677
	2,653,578	1,906,599

16. 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, 2020	(Un-audited) March 31, 2019
16.1 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	82,242
	b. Purchase of goods	1,831,175
	c. Sale of goods	467,821
	d. Recovery of expenses	104,659
	e. Services fees	3,000
	f. Sales as an agent of GSK CH	986,239
	g. Promotional allowance	311,807
Staff retirement funds:	a. Expense charged for retirement benefit plans	90,120
	b. Payments to retirement benefit plans	64,260
Key management personnel:	a. Salaries and other employee benefits	274,445
	b. Post employment benefits	7,028

17. 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.

© GlaxoSmithKline Pakistan Limited