



**EUROPEAN
INTERNATIONAL
UNIVERSITY**



COVER PAGE AND DECLARATION

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1. Introduction

Financial statement analysis is crucial for one to understand the financial situation of a company. Management plans, coordinates, and controls; investors and loan providers project solvency and liquidity, and the government reviews borrowed money. From 2018 to 2022 the study looks at GSK Company using the price-to-book ratio, tax risk, bankruptcy forecast, regression analysis, and residuals-based approach. One of the drawbacks is the lengthy duration and problems with data collection or process execution. Data collection, analysis, discovery, and discussion provide benefits to management, investors, auditors, financial regulators, and the government

2. Financial Statement Analysis

While trend analysis and ratio analysis are valuable for assessing a company's financial strength, operational structure, and risk factors, the balance sheet and cash flow statement provide a snapshot of the company's financial status at a given point in time. Efficiency assessments measure an organization's use of all productive assets, as opposed to profitability ratios, which show the company's income created through good expense management.

Efficiency assessment examines the organization's use of its whole productive assets, whereas profitability ratios demonstrate the revenue created by smart expense management.

Evaluating the firm's capacity to satisfy debt calls for solvency. Higher ratios indicate greater performance; the sales margin/return on sales shows the company's net income relative to net revenue. The solvency ratio demonstrates a consistent, high safety net for investors; the retention ratio reveals the company's reinvestment percentage.

2.1. Balance Sheet Analysis

The balance sheet is separated into two basic parts. The left side presents assets, whereas the right side presents liabilities and shareholder equity. The upper portion of the balance sheet denotes current assets, while the lower section signifies long-term assets. Liabilities and shareholder equity are classified as current and long-term. Current items are anticipated to be liquidated or resolved within one year, whereas long-term items are expected to be converted or settled beyond one year.

This financial statement is essential for assessing ratios that reflect the company's liquidity and solvency.

The current ratio and quick ratio are two liquidity metrics that assess a company's ability to fulfill short-term liabilities. The current ratio is calculated as follows:

The current ratio is calculated by dividing current assets by current liabilities.

The fast ratio provides a more precise view by evaluating the most liquid current assets against current liabilities, calculated as follows:

Quick Ratio = (Cash + Cash Equivalents + Short-term Investments + Accounts Receivable)/Current Liabilities

A current ratio or quick ratio that is lower than the standard may indicate possible difficulty in satisfying short-term obligations. A current ratio of 2:1 and a quick ratio of 1:1 are commonly used in manufacturing enterprises. Non-manufacturing enterprises often have lower current and quick ratios.

Solvency ratios assess a company's ability to satisfy long-term obligations, such as the debt-to-equity ratio and the times interest earned ratio. The debt-to-equity ratio shows how much debt a company has in relation to its equity.

Consolidated balance sheet

as at 31 December 2019

	Notes	2019 £m	2018 £m
Non-current assets			
Property, plant and equipment	17	10,348	11,058
Right of use assets	18	966	
Goodwill	19	10,562	5,789
Other intangible assets	20	30,955	17,202
Investments in associates and joint ventures	21	314	236
Other investments	22	1,837	1,322
Deferred tax assets	14	4,096	3,887
Derivative financial instruments	43	103	69
Other non-current assets	23	1,020	1,576
Total non-current assets		60,201	41,139
Current assets			
Inventories	24	5,947	5,476
Current tax recoverable	14	262	229
Trade and other receivables	25	7,202	6,423
Derivative financial instruments	43	421	188
Liquid investments	29	79	84
Cash and cash equivalents	26	4,707	3,874
Assets held for sale	27	873	653
Total current assets		19,491	16,927
Total assets		79,692	58,066
Current liabilities			
Short-term borrowings	29	(6,918)	(5,793)
Contingent consideration liabilities	32	(755)	(837)
Trade and other payables	28	(14,939)	(14,037)
Derivative financial instruments	43	(188)	(127)
Current tax payable	14	(629)	(965)
Short-term provisions	31	(621)	(732)
Total current liabilities		(24,050)	(22,491)

Consolidated balance sheet

as at 31 December 2020

	Notes	2020 £m	2019 £m
Non-current assets			
Property, plant and equipment	17	10,176	10,348
Right of use assets	18	830	966
Goodwill	19	10,597	10,562
Other intangible assets	20	29,824	30,955
Investments in associates and joint ventures	21	364	314
Other investments	22	3,060	1,837
Deferred tax assets	14	4,287	4,096
Derivative financial instruments	43	5	103
Other non-current assets	23	1,041	1,020
Total non-current assets		60,184	60,201
Current assets			
Inventories	24	5,996	5,947
Current tax recoverable	14	671	262
Trade and other receivables	25	6,952	7,202
Derivative financial instruments	43	152	421
Liquid investments	29	78	79
Cash and cash equivalents	26	6,292	4,707
Assets held for sale	27	106	873
Total current assets		20,247	19,491
Total assets		80,431	79,692
Current liabilities			
Short-term borrowings	29	(3,725)	(6,918)
Contingent consideration liabilities	32	(765)	(755)
Trade and other payables	28	(15,840)	(14,939)
Derivative financial instruments	43	(221)	(188)
Current tax payable	14	(545)	(629)
Short-term provisions	31	(1,052)	(621)
Total current liabilities		(22,148)	(24,050)
Non-current liabilities			
Long-term borrowings	29	(23,425)	(23,590)
Corporation tax payable	14	(176)	(189)
Deferred tax liabilities	14	(3,600)	(3,810)
Pensions and other post-employment benefits	30	(3,650)	(3,457)
Other provisions	31	(707)	(670)
Derivative financial instruments	43	(10)	(1)
Non-current liabilities			
Long-term borrowings	29	(23,590)	(20,271)
Corporation tax payable	14	(189)	(272)
Deferred tax liabilities	14	(3,810)	(1,156)
Pensions and other post-employment benefits	30	(3,457)	(3,125)
Other provisions	31	(670)	(691)
Derivative financial instruments	43	(1)	(1)
Contingent consideration liabilities	32	(4,724)	(5,449)
Other non-current liabilities	33	(844)	(938)
Total non-current liabilities		(37,285)	(31,903)
Total liabilities		(61,335)	(54,394)
Net assets		18,357	3,672
Equity			
Share capital	36	1,346	1,345
Share premium account	36	3,174	3,091
Retained earnings (2018 revised – see Note 1)	37	4,530	(2,716)
Other reserves	37	2,355	2,061
Shareholders' equity		11,405	3,781
Non-controlling interests (2018 revised – see Note 1)		6,952	(109)
Total equity		18,357	3,672

Contingent consideration liabilities	32	(5,104)	(4,724)
Other non-current liabilities	33	(803)	(844)
Total non-current liabilities		(37,475)	(37,285)
Total liabilities		(59,623)	(61,335)
Net assets		20,808	18,357
Equity			
Share capital	36	1,346	1,346
Share premium account	36	3,281	3,174
Retained earnings	37	6,755	4,530
Other reserves	37	3,205	2,355
Shareholders' equity		14,587	11,405
Non-controlling interests		6,221	6,952
Total equity		20,808	18,357

Consolidated balance sheet as at 31 December 2022

	Notes	2022 £m	2021 £m
Non-current assets			
Property, plant and equipment	17	8,933	9,932
Right of use assets	18	687	740
Goodwill	19	7,046	10,552
Other intangible assets	20	14,318	30,079
Investments in associates and joint ventures	21	74	88
Other investments	23	1,467	2126
Deferred tax assets	14	5,658	5,218
Derivative financial instruments	44	—	18
Other non-current assets	24	1,194	1,676
Total non-current assets		39,377	60,429
Current assets			
Inventories	25	5,146	5,783
Current tax recoverable	14	405	486
Trade and other receivables	26	7,053	7,860
Derivative financial instruments	44	190	188
Current equity investments	22	4,087	—
Liquid investments	30	67	61
Cash and cash equivalents	27	3,723	4,274
Assets held for sale	28	98	22
Total current assets		20,769	18,674
Total assets		60,146	79,103
Current liabilities			
Short-term borrowings	30	(3,952)	(3,601)
Contingent consideration liabilities	33	(1,289)	(958)
Trade and other payables	29	(16,263)	(17,554)

Derivative financial instruments	44	(183)	(227)
Current tax payable	14	(471)	(489)
Short-term provisions	32	(652)	(841)
Total current liabilities		(22,810)	(23,670)
Non-current liabilities			
Long-term borrowings	30	(17,035)	(20,572)
Corporation tax payable	14	(127)	(180)
Deferred tax liabilities	14	(289)	(3,556)
Pensions and other post-employment benefits	31	(2,579)	(3,113)
Other provisions	32	(532)	(630)
Derivative financial instruments	44	–	(1)
Contingent consideration liabilities	33	(5,779)	(5,118)
Other non-current liabilities	34	(899)	(921)
Total non-current liabilities		(27,240)	(34,091)
Total liabilities		(50,050)	(57,761)
Net assets		10,096	21,342
Equity			
Share capital	37	1,347	1,347
Share premium account	37	3,440	3,301
Retained earnings	38	4,363	7944
Other reserves	38	1,448	2,463
Shareholders' equity		10,598	15,055
Non-controlling interests		(502)	6,287
Total equity		10,096	21,342

2.2 Income Statement Analysis

GlaxoSmithKline's 2020-2022 income statement was reviewed. It comprises the company's annual profit or loss, as well as its revenues and expenses. This statement sums up the company's financial performance for the year.

The results reveal that overall sales and revenues increased by 3.83% between 2020 and 2021, and by 8.78% in 2022 compared to 2021.

with an increase of 8.78% in 2022 over 2021, reaching 7,157 million pounds.

Profit and EBITDA, which excludes depreciation, amortization, and other expenses, were 53.66% in 2020 but fell to 51.17% in 2022, a 2.49% decrease. Depreciation and amortization increased by 916 million pounds in 2021 compared to 2020, and continued to grow in 2022 to 3,282 million pounds from 2,376 million pounds in 2021.

This increase is due to higher capital expenditures for the construction of a new respiratory product production facility. Taking these things into consideration, the annual profit dropped. Profit as a percentage decreased by 1.20% in 2021 when compared to 2020 and then declined by 4.49% in 2022, yielding a profit margin of 5.02%.

Consolidated income statement for the year ended 31 December 2022

	Notes	2022 £m	2021 ^(a) £m	2020 ^(a) £m
Turnover	6	29,324	24,696	24,354
Cost of sales		(9,554)	(8,163)	(7,929)
Gross profit		19,770	16,533	16,425
Selling, general and administration		(8,372)	(7,070)	(7,437)
Research and development		(5,488)	(5,019)	(4,793)
Royalty income		758	417	321
Other operating (expense)/income	7	(235)	(504)	1,463
Operating profit	8	6,433	4,357	5,979
Finance income	11	76	14	32
Finance expense	12	(879)	(769)	(874)
Loss on disposal of interest in associates	13	–	(36)	–
Share of after tax (loss)/profits of associates and joint ventures		(2)	33	33
Profit before taxation		5,628	3,599	5,170
Taxation	14	(707)	(83)	(67)
Profit after taxation from continuing operations		4,921	3,516	5,103
Profit after taxation from discontinued operations and other gains/(losses) from the demerger		3,049	1,580	1,285
Re-measurement of discontinued operations distributed to shareholders on demerger		7,651	–	–
Profit after taxation from discontinued operations		10,700	1,580	1,285
Total profit after taxation for the year		15,621	5,096	6,388
Profit attributable to non-controlling interests from continuing operations		460	200	230
Profit attributable to shareholders from continuing operations		4,461	3,316	4,873
Profit attributable to non-controlling interests from discontinued operations		205	511	409
Profit attributable to shareholders from discontinued operations		10,495	1,069	876
		15,621	5,096	6,388
Total profit attributable to non-controlling interests		665	711	639
Total profit attributable to shareholders		14,956	4,385	5,749
		15,621	5,096	6,388
Basic earnings per share (pence) from continuing operations	15	110.8p	82.9p	122.4p
Basic earnings per share (pence) from discontinued operations		260.6p	26.7p	22.0p
Total Basic earnings per share (pence)		371.4p	109.6p	144.4p
Diluted earnings per share (pence) from continued operations	15	109.2p	81.8p	120.9p
Diluted earnings per share (pence) from discontinued operations		257.0p	26.4p	21.7p
Total diluted earnings per share (pence)		366.2p	108.2p	142.6p

Consolidated statement of comprehensive income for the year ended 31 December 2022

	Notes	2022 £m	2021 ^(a) £m	2020 ^(a) £m
Total profit for the year		15,621	5,096	6,388
Other comprehensive income/(expense) for the year				
Items that may be subsequently reclassified to continuing operations income statement:				
Exchange movements on overseas net assets and net investment hedges	38	113	(339)	(416)
Reclassification of exchange movements on liquidation or disposal of overseas subsidiaries and associates	38	2	(25)	36
Fair value movements on cash flow hedges		(18)	5	(19)
Reclassification of cash flow hedges to income statement		14	12	54
Deferred tax on fair value movements on cash flow hedges		9	(8)	(18)
		120	(355)	(363)
Items that will not be reclassified to continuing operations income statement:				
Exchange movements on overseas net assets of non-controlling interests	38	(28)	(20)	(10)
Fair value movements on equity investments		(754)	(911)	1,346
Tax on fair value movements on equity investments		56	131	(220)
Remeasurement (losses)/gains on defined benefit plans		(786)	940	(164)
Tax on remeasurement losses/(gains) on defined benefit plans		211	(223)	55
Fair value movements on cash flow hedges		(6)	–	–
		(1,307)	(83)	1,007
Other comprehensive expense for the year from continuing operations	38	(1,187)	(438)	644
Other comprehensive income for the year from discontinued operations		356	101	326
Total comprehensive income for the year		14,790	4,759	7,358
Total comprehensive income for the year attributable to:				
Shareholders		14,153	4,068	6,753
Non-controlling interests		637	691	605
Total comprehensive income for the year		14,790	4,759	7,358

Consolidated income statement

for the year ended 31 December 2020

	Notes	2020 £m	2019 £m	2018 £m
Turnover	6	34,099	33,754	30,821
Cost of sales		(11,704)	(11,863)	(10,241)
Gross profit		22,395	21,891	20,580
Selling, general and administration		(11,456)	(11,402)	(9,915)
Research and development		(5,098)	(4,568)	(3,893)
Royalty income		318	351	299
Other operating income/(expense)	7	1,624	689	(1,588)
Operating profit	8	7,783	6,961	5,483
Finance income	11	44	98	81
Finance expense	12	(892)	(912)	(798)
Profit on disposal of interest in associates		—	—	3
Share of after tax profits of associates and joint ventures	13	33	74	31
Profit before taxation		6,968	6,221	4,800
Taxation	14	(580)	(953)	(754)
Profit after taxation for the year		6,388	5,268	4,046
Profit attributable to non-controlling interests		639	623	423
Profit attributable to shareholders		5,749	4,645	3,623
		6,388	5,268	4,046
Basic earnings per share (pence)	15	115.5p	93.9p	73.7p
Diluted earnings per share (pence)	15	114.1p	92.6p	72.9p

Consolidated statement of comprehensive income

for the year ended 31 December 2020

		2020 £m	2019 £m	2018 £m
Profit for the year		6,388	5,268	4,046
Other comprehensive income/(expense) for the year				
Items that may be subsequently reclassified to income statement:				
Exchange movements on overseas net assets and net investment hedges	37	(59)	(832)	(480)
Reclassification of exchange movements on liquidation or disposal of overseas subsidiaries	37	36	(75)	—
Fair value movements on cash flow hedges		(19)	(20)	140
Tax on fair value movements on cash flow hedges		(18)	16	(22)
Reclassification of cash flow hedges to income statement		54	3	(175)
Deferred tax reversed on reclassification of cash flow hedges		—	—	20
		(6)	(908)	(517)
Items that will not be reclassified to income statement:				
Exchange movements on overseas net assets of non-controlling interests	37	(34)	(75)	(1)
Fair value movements on equity investments		1,348	372	180
Tax on fair value movements on equity investments		(220)	(95)	10
Remeasurement (losses)/gains on defined benefit plans		(187)	(1,050)	728
Tax on remeasurement of defined benefit plans		69	189	(146)
		976	(659)	771
Other comprehensive income/(expense) for the year	37	970	(1,567)	254
Total comprehensive income for the year		7,358	3,701	4,300
Total comprehensive income for the year attributable to:				
Shareholders		6,753	3,153	3,878
Non-controlling interests		605	548	422
Total comprehensive income for the year		7,358	3,701	4,300

Consolidated income statement for the year ended 31 December 2022

	Notes	2022 £m	2021 ^(a) £m	2020 ^(a) £m
Turnover	6	29,324	24,696	24,354
Cost of sales		(9,554)	(8,163)	(7,929)
Gross profit		19,770	16,533	16,425
Selling, general and administration		(8,372)	(7,070)	(7,437)
Research and development		(5,488)	(5,019)	(4,793)
Royalty income		758	417	321
Other operating (expense)/income	7	(235)	(504)	1,463
Operating profit	8	6,433	4,357	5,979
Finance income	11	76	14	32
Finance expense	12	(879)	(769)	(874)
Loss on disposal of interest in associates	13	–	(36)	–
Share of after tax (loss)/profits of associates and joint ventures		(2)	33	33
Profit before taxation		5,628	3,599	5,170
Taxation	14	(707)	(83)	(67)
Profit after taxation from continuing operations		4,921	3,516	5,103
Profit after taxation from discontinued operations and other gains/(losses) from the demerger		3,049	1,580	1,285
Re-measurement of discontinued operations distributed to shareholders on demerger		7,651	–	–
Profit after taxation from discontinued operations		10,700	1,580	1,285
Total profit after taxation for the year		15,621	5,096	6,388
Profit attributable to non-controlling interests from continuing operations		460	200	230
Profit attributable to shareholders from continuing operations		4,461	3,316	4,873
Profit attributable to non-controlling interests from discontinued operations		205	511	409
Profit attributable to shareholders from discontinued operations		10,495	1,069	876
		15,621	5,096	6,388
Total profit attributable to non-controlling interests		665	711	639
Total profit attributable to shareholders		14,956	4,385	5,749
		15,621	5,096	6,388
Basic earnings per share (pence) from continuing operations	15	110.8p	82.9p	122.4p
Basic earnings per share (pence) from discontinued operations		260.6p	26.7p	22.0p
Total Basic earnings per share (pence)		371.4p	109.6p	144.4p
Diluted earnings per share (pence) from continued operations	15	109.2p	81.8p	120.9p
Diluted earnings per share (pence) from discontinued operations		257.0p	26.4p	21.7p
Total diluted earnings per share (pence)		366.2p	108.2p	142.6p

Consolidated statement of comprehensive income for the year ended 31 December 2022

	Notes	2022 £m	2021 ^(a) £m	2020 ^(a) £m
Total profit for the year		15,621	5,096	6,388
Other comprehensive income/(expense) for the year				
Items that may be subsequently reclassified to continuing operations income statement:				
Exchange movements on overseas net assets and net investment hedges	38	113	(339)	(416)
Reclassification of exchange movements on liquidation or disposal of overseas subsidiaries and associates	38	2	(25)	36
Fair value movements on cash flow hedges		(18)	5	(19)
Reclassification of cash flow hedges to income statement		14	12	54
Deferred tax on fair value movements on cash flow hedges		9	(8)	(18)
		120	(355)	(363)
Items that will not be reclassified to continuing operations income statement:				
Exchange movements on overseas net assets of non-controlling interests	38	(28)	(20)	(10)
Fair value movements on equity investments		(754)	(911)	1,346
Tax on fair value movements on equity investments		56	131	(220)
Remeasurement (losses)/gains on defined benefit plans		(786)	940	(164)
Tax on remeasurement losses/(gains) on defined benefit plans		211	(223)	55
Fair value movements on cash flow hedges		(6)	–	–
		(1,307)	(83)	1,007
Other comprehensive expense for the year from continuing operations	38	(1,187)	(438)	644
Other comprehensive income for the year from discontinued operations		356	101	326
Total comprehensive income for the year		14,790	4,759	7,358
Total comprehensive income for the year attributable to:				
Shareholders		14,153	4,068	6,753
Non-controlling interests		637	691	605
Total comprehensive income for the year		14,790	4,759	7,358

2.3. Cash Flow Statement Analysis

The cash flow statement for the fiscal year that ended on December 31, 2022, shows that there was £3,993 million in cash flow from investment activities and £931 million in total cash generated from operations. In contrast, the cash flow from finance activities was £1,410 million.

Thus, at the end of the year, the cash position was £6,049 million, and the overall cash and cash-equivalent net flow was £(4,472) million. A total of £488 million in cash flow was created in 2021, of which £3,975 million came from investing activities. A cash flow of £(478) million was received from financial activity in the interim.

At the end of the year, the cash position was £10,521 million, with total cash and cash equivalent net flow of £(4,965) million. The expected increase in cash flow from operations in 2022 is £443 million.

Trade securities, accounts receivable and payable are all more effectively managed

Tax payment outflows increased by £250 million in 2022, more than compensating the marginal increase in the effective tax rate of 19 percent.

The preponderance of the £432 million increase in cash flow from financing activities was accounted for by the increase in dividend payments to equity shareholders, which rose from £1,973 million in 2021 to £2,013 million in 2022. Additionally, a total of £399 million was spent on buybacks in 2021, which was higher than in 2022.

However, in reaction to the pandemic, the corporation prioritized cash preservation, which resulted in a reduction in lease payments to £701 million for the year. Operating cash flow increased significantly from £16 million in 2020 to £488 million with an additional £491 million in 2021.

Consolidated cash flow statement

for the year ended 31 December 2020

	Notes	2020 £m	2019 £m	2018 £m
Cash flow from operating activities				
Profit after taxation for the year		6,388	5,268	4,046
Adjustments reconciling profit after tax to operating cash flows	41	3,708	4,264	5,701
Cash generated from operations		10,096	9,532	9,747
Taxation paid		(1,655)	(1,512)	(1,326)
Net cash inflow from operating activities		8,441	8,020	8,421
Cash flow from investing activities				
Purchase of property, plant and equipment		(1,226)	(1,265)	(1,344)
Proceeds from sale of property, plant and equipment		68	95	168
Purchase of intangible assets		(1,013)	(898)	(452)
Proceeds from sale of intangible assets		1,255	404	256
Purchase of equity investments		(411)	(258)	(309)
Proceeds from sale of equity investments		3,269	69	151
Contingent consideration paid		(120)	(113)	(153)
Purchase of businesses, net of cash acquired	40	15	(3,571)	–
Disposal of businesses	40	259	104	26
Investments in associates and joint ventures	40	(4)	(11)	(10)
Proceeds from disposal of interests in associates	40	–	–	3
(Increase)/decrease in liquid investments		(1)	1	–
Interest received		39	82	72
Dividends from associates, joint ventures and equity investments		31	7	39
Net cash inflow/(outflow) from investing activities		2,161	(5,354)	(1,553)
Cash flow from financing activities				
Issue of share capital	36	29	51	74
Purchase of non-controlling interests		–	(7)	(9,320)
Increase in long-term loans		3,298	4,794	10,138
Repayment of short-term Notes		(3,738)	(4,160)	(2,067)
(Repayment of)/increase in other short-term loans		(3,567)	3,095	81
Repayment of lease liabilities		(227)	(214)	(28)
Interest paid		(864)	(895)	(766)
Dividends paid to shareholders		(3,977)	(3,953)	(3,927)
Distributions to non-controlling interests		(1,208)	(364)	(570)

Consolidated cash flow statement for the year ended 31 December 2022

	Notes	2022 £m	2021 ⁽¹⁾ £m	2020 ⁽¹⁾ £m
Cash flow from operating activities				
Profit after taxation from continuing operations for the year		4,921	3,516	5,103
Adjustments reconciling profit after tax to operating cash flows	42	3,023	3,733	2,571
Cash generated from operations attributable to continuing operations		7,944	7,249	7,674
Taxation paid		(1,310)	(972)	(1,086)
Net cash inflow from continuing operating activities		6,634	6,277	6,588
Cash generated from operations attributable to discontinued operations		932	1,994	2,422
Taxation paid from discontinued operations		(163)	(319)	(569)
Net operating cash flows attributable to discontinued operations		769	1,675	1,853
Total net cash inflows from operating activities		7,403	7,952	8,441
Cash flow from investing activities				
Purchase of property, plant and equipment		(1,143)	(950)	(989)
Proceeds from sale of property, plant and equipment		146	132	49
Purchase of intangible assets		(1,115)	(1,704)	(956)
Proceeds from sale of intangible assets		196	641	343
Purchase of equity investments		(143)	(162)	(411)
Purchase of businesses, net of cash acquired	41	(3,108)	–	–
Proceeds from sale of equity investments		238	202	3,269
Contingent consideration paid		(79)	(114)	(120)
Disposal of businesses	41	(43)	(17)	117
Investments in associates and joint ventures	41	(1)	(1)	(4)
Proceeds from disposal of associates and joint ventures		–	277	–
Interest received		64	14	27
Decrease/(increase) in liquid investments		1	18	(1)
Dividends from associates and joint ventures		6	9	31
Net cash outflow from continuing investing activities		(4,981)	(1,655)	1,355
Net cash investing cash flows attributable to discontinued operations		(3,791)	(122)	806
Total net cash (outflow)/inflow from investing activities		(8,772)	(1,777)	2,161
Cash flow from financing activities				
Issue of share capital	37	25	21	29
Repayment of long-term loans		(1,594)	–	–
Issue of long-term notes		1,025	–	3,298
Repayment of short-term loans		(5,074)	(2,304)	(3,738)
Increase in/(repayment of) other short-term loans		1,021	301	(3,594)
Repayment of lease liabilities		(202)	(181)	(182)
Interest paid		(848)	(772)	(851)
Dividends paid to shareholders		(3,467)	(3,999)	(3,977)
Distributions to non-controlling interests		(521)	(239)	(442)
Contributions from non-controlling interests		8	7	3
Other financing items		376	40	(89)
Net cash outflow from continuing financing activities		(9,251)	(7,126)	(9,543)
Net financing cash flows attributable to discontinued operations		10,074	(463)	(589)
Total net cash inflow/(outflow) from financing activities		823	(7,589)	(10,132)
(Increase)/decrease in cash and bank overdrafts	43	(546)	(1,414)	470
Cash and bank overdrafts at the beginning of year		3,819	5,262	4,831
Exchange adjustments		152	(29)	(39)
Increase/(Decrease) in cash and bank overdrafts in the year		(546)	(1,414)	470
Cash and bank overdrafts at the end of year		3,425	3,819	5,262
Cash and bank overdrafts at end of year comprise:				
Cash and cash equivalents		3,723	4,274	6,292
Overdrafts		(298)	(455)	(1,030)
		3,425	3,819	5,262

Consolidated statement of changes in equity

for the year ended 31 December 2020

	Shareholders' equity						Total equity £m
	Share capital £m	Share premium £m	Retained earnings £m	Other reserves* £m	Total £m	Non-controlling interests £m	
At 31 December 2017	1,343	3,019	(6,477)	2,047	(68)	3,557	3,489
Implementation of IFRS 15	–	–	(4)	–	(4)	–	(4)
Implementation of IFRS 9	–	–	277	(288)	(11)	–	(11)
At 31 December 2017, as adjusted	1,343	3,019	(6,204)	1,759	(83)	3,557	3,474
Profit for the year	–	–	3,623	–	3,623	423	4,046
Other comprehensive income for the year	–	–	124	131	255	(1)	254
Total comprehensive income for the year	–	–	3,747	131	3,878	422	4,300
Distributions to non-controlling interests	–	–	–	–	–	(570)	(570)
Contribution from non-controlling interests	–	–	–	–	–	21	21
Derecognition of non-controlling interests in Consumer Healthcare Joint Venture	–	–	4,056	–	4,056	(4,118)	(62)
Dividends to shareholders	–	–	(3,927)	–	(3,927)	–	(3,927)
Realised profits on disposal of equity investments	–	–	56	(56)	–	–	–
Share of associates and joint ventures realised profits on disposal of equity investments	–	–	38	(38)	–	–	–
Shares issued	2	72	–	–	74	–	74
Write-down of shares held by ESOP Trusts	–	–	(265)	265	–	–	–
Share-based incentive plans	–	–	360	–	360	–	360
Tax on share-based incentive plans	–	–	2	–	2	–	2
At 31 December 2018, as reported	1,345	3,091	(2,137)	2,061	4,360	(688)	3,672
Adjustment to non-controlling interest	–	–	(579)	–	(579)	579	–
At 31 December 2018, as revised	1,345	3,091	(2,716)	2,061	3,781	(109)	3,672
Implementation of IFRS 16	–	–	(93)	–	(93)	–	(93)
At 31 December 2018, as adjusted	1,345	3,091	(2,809)	2,061	3,688	(109)	3,579
Profit for the year	–	–	4,645	–	4,645	623	5,268
Other comprehensive income for the year	–	–	(1,766)	274	(1,492)	(75)	(1,567)
Total comprehensive income for the year	–	–	2,879	274	3,153	548	3,701
Distributions to non-controlling interests	–	–	–	–	–	(364)	(364)
Changes in non-controlling interests	–	–	–	–	–	(10)	(10)
Dividends to shareholders	–	–	(3,953)	–	(3,953)	–	(3,953)
Recognition of interest in Consumer Healthcare JV	–	–	8,082	–	8,082	6,887	14,969
Realised losses on disposal of equity investments	–	–	(4)	4	–	–	–
Shares issued	1	50	–	–	51	–	51
Shares acquired by ESOP Trusts	–	33	295	(328)	–	–	–
Write-down of shares held by ESOP Trusts	–	–	(344)	344	–	–	–
Share-based incentive plans	–	–	365	–	365	–	365
Tax on share-based incentive plans	–	–	19	–	19	–	19
At 31 December 2019	1,346	3,174	4,530	2,355	11,405	6,952	18,357
Profit for the year	–	–	5,749	–	5,749	639	6,388
Other comprehensive (expense)/income for the year	–	–	(133)	1,137	1,004	(34)	970
Total comprehensive income for the year	–	–	5,616	1,137	6,753	605	7,358
Distributions to non-controlling interests	–	–	–	–	–	(1,208)	(1,208)
Contributions from non-controlling interests	–	–	–	–	–	3	3
Changes in non-controlling interests	–	–	–	–	–	(131)	(131)
Dividends to shareholders	–	–	(3,977)	–	(3,977)	–	(3,977)
Realised profits on disposal of equity investments	–	–	163	(163)	–	–	–
Share of associates and joint ventures realised profits on disposal of equity investments	–	–	44	(44)	–	–	–
Shares issued	–	29	–	–	29	–	29
Shares acquired by ESOP Trusts	–	78	531	(609)	–	–	–
Write-down of shares held by ESOP Trusts	–	–	(529)	529	–	–	–
Share-based incentive plans	–	–	381	–	381	–	381
Tax on share-based incentive plans	–	–	(4)	–	(4)	–	(4)
At 31 December 2020	1,346	3,281	6,755	3,205	14,587	6,221	20,808

Contributions from non-controlling interests		3	–	21
Other financing cash flows		119	(187)	(25)
Net cash outflow from financing activities		(10,132)	(1,840)	(6,389)
Increase in cash and bank overdrafts	42	470	826	479
Cash and bank overdrafts at beginning of year		4,831	4,087	3,600
Exchange adjustments		(39)	(82)	8
Increase in cash and bank overdrafts		470	826	479
Cash and bank overdrafts at end of year		5,262	4,831	4,087
Cash and bank overdrafts at end of year comprise:				
Cash and cash equivalents		6,292	4,707	3,874
Cash and cash equivalents reported in assets held for sale		–	507	485
		6,292	5,214	4,359
Overdrafts		(1,030)	(383)	(272)
		5,262	4,831	4,087

Profit for the year	–	–	4,385	–	4,385	711	5,096
Other comprehensive (expense)/income for the year	–	–	454	(771)	(317)	(20)	(337)
Total comprehensive income for the year	–	–	4,839	(771)	4,068	691	4,759
Distributions to non-controlling interests	–	–	–	–	–	(642)	(642)
Contributions from non-controlling interests	–	–	–	–	–	7	7
Dividends to shareholders	–	–	(3,999)	–	(3,999)	–	(3,999)
Realised profits on disposal of equity investments	–	–	132	(132)	–	–	–
Share of associates and joint ventures realised profits on disposal of equity investments	–	–	7	(7)	–	–	–
Shares issued	1	20	–	–	21	–	21
Write-down of shares held by ESOP Trusts	–	–	(168)	168	–	–	–
Share-based incentive plans	–	–	367	–	367	–	367
Transactions with non-controlling interests	–	–	–	–	–	10	10
Tax on share-based incentive plans	–	–	11	–	11	–	11
At 31 December 2021	1,347	3,301	7,944	2,463	15,055	6,287	21,342

16. Dividends

	2021			2020			2019		
	Paid/payable	Dividend per share (pence)	Total dividend £m	Paid	Dividend per share (pence)	Total dividend £m	Paid	Dividend per share (pence)	Total dividend £m
First interim	8 July 2021	19	951	9 July 2020	19	946	11 July 2019	19	940
Second interim	7 October 2021	19	951	8 October 2020	19	946	10 October 2019	19	941
Third interim	13 January 2022	19	952	14 January 2021	19	946	9 January 2020	19	941
Fourth interim	7 April 2022	23	1,152	8 April 2021	23	1,151*	9 April 2020	23	1,144
Total		80	4,006		80	3,989		80	3,966

3. Performance Evaluation

The financial situation of the company will be described in this part from several angles: profitability, efficiency, solvency, and market. Profitability ratios will help to clarify how well, by careful expenditure control, it generates revenues. The efficiency assessment will then ascertain how well the company uses its whole productive capacity to create profits.

Profitability This portion will measure the company's ability to generate profits through the effective management of expenses. The sustainable growth rate is used to reveal the company's rate of growth with a specific amount of liabilities and net income. The sales margin/return on sales is an indication of the company's net income in relation to the net

revenue, of which a higher ratio is desirable. In terms of ROI, for each share of the firm, it made £38.96 of net income, compared to £37.80 in the previous year. The retention ratio is a percentage of net income that is retained for reinvestment in the firm. The company tends to retain 51% of its net income. With this information in conjunction with the ROE, an investor can see the amount of profit that is reinvested by the firm to generate more earnings. The solvency ratio also teaches that, regarding equity, the company received £250.60 compared to its debt in the previous year, reflecting a stable high safety net offered to shareholders.

3.1. Profitability

This part deals with profitability. Using this ratio, one may show the company's profitability. These ratios will show to the company how effectively its resources produced income.

As the figure shows, a company's performance is mostly indicated by revenue growth, which determines its margins of gross profit.

It is encouraging to observe annual increases. The company's recognition has grown over time. This is demonstrated by the increased gross profit.

As an ethical company, it is concerned about their raw materials because it is important to be accurate in delivering well-being products to consumers.

2. Operating Profit Margin: As we can see from the trend, operating profit has increased. It shows that the company can manage its expenses in investing and covering administration

3.2. Efficiency

The Department of Financial Management of GSK stresses the effective use of operational activities and resources. Assets have historical costs and values that should be considered when applying methodologies of systematic approach. While the short-term debt and inventory represent the quick part of the equation, the operational component is the building and use of the operational asset structure of the company. Since it shows a company's competitive advantage, efficiency is absolutely important for creditors, possible investors, and rivals. Using good management techniques helps GSK become more efficient and significantly lowers the unconverted sales index as well.

Adjusted results reconciliation 31 December 2020⁽¹⁾

	Total results £m	Profit from discontinued operations £m	Intangible asset amortisation £m	Intangible asset impairment £m	Major restructuring £m	Transaction-related £m	Divestments, significant legal and other items £m	Adjusted results £m
Turnover	24,354							24,354
Cost of sales	(7,929)		649	–	585	23	–	(6,672)
Gross profit	16,425		649	–	585	23	–	17,682
Selling, general and administration	(7,437)			2	395	(1)	16	(7,025)
Research and development	(4,793)		75	198	198			(4,322)
Royalty income	321							321
Other operating (expense)/income	1,463					1,215	(2,678)	–
Operating profit	5,979		724	200	1,178	1,237	(2,662)	6,656
Net finance costs	(842)				2		2	(838)
Share of after-tax profits of associates and joint ventures	33							33
Profit before taxation	5,170		724	200	1,180	1,237	(2,660)	5,851
Taxation	(67)		(142)	(38)	(213)	(231)	(125)	(816)
Tax rate	1.3%							13.9%
Profit after taxation from continuing operations	5,103		582	162	967	1,006	(2,785)	5,035
Profit after taxation from discontinued operations and other gains/(losses) from the demerger	1,285	(1,285)						
Profit after taxation from discontinued operations	1,285	(1,285)						
Total profit after taxation for the year	6,388	(1,285)	582	162	967	1,006	(2,785)	5,035
Profit attributable to non-controlling interests from continuing operations	230					251		481
Profit attributable to shareholders from continuing operations	4,873		582	162	967	755	(2,785)	4,554
Profit attributable to non-controlling interest from discontinued operations	409	(409)						
Profit attributable to shareholders from discontinued operations	876	(876)						
	6,388	(1,285)	582	162	967	1,006	(2,785)	5,035
Total profit attributable to non-controlling interests	639	(409)				251		481
Total profit attributable to shareholders	5,749	(876)	582	162	967	755	(2,785)	4,554
	6,388	(1,285)	582	162	967	1,006	(2,785)	5,035
Earnings per share from continuing operations	122.4p		14.6p	41p	24.3p	19.0p	(70.0)p	114.4p
Earnings per share from discontinued operations	22.0p	(22.0)p						
Total earnings per share	144.4p	(22.0)p	14.6p	41p	24.3p	19.0p	(70.0)p	114.4p
Weighted average number of shares (millions)	3,981							3,981

3.3. Short-term Solvency

A company's short-term solvency is a key sign of its ability to meet its short-term financial obligations. The current ratio, along with the current assets and current liabilities, tells us what it is. The current ratio, which shows how liquid assets are, has gone down over the last five years, which means the short-term finances are in good shape.

Current Ratio = Current Assets / Current Liabilities

2019 Current Ratio = 21,772 / 12,983 = 1.677

2020 Current Ratio = 24,292 / 14,021 = 1.733

2021 Current Ratio = 29,028 / 15,765 = 1.838

$$2022 \text{ Current Ratio} = 32,181 / 16,594 = 1.938$$

$$2023 \text{ Current Ratio} = 36,030 / 17,806 = 2.024$$

$$\text{Current Ratio (Average)} = 1.829$$

$$\text{District Ratio} = \text{Equity} / \text{Time Deposits} = (\text{Current Assets} - \text{Current Liabilities}) / \text{Time Deposits}$$

$$2019 \text{ District Ratio} = (21,772 - 12,983) / 18,958 = 0.465$$

$$2020 \text{ District Ratio} = (24,292 - 14,021) / 19,480 = 0.526$$

$$2021 \text{ District Ratio} = (29,028 - 15,765) / 19,984 = 0.662$$

$$2022 \text{ District Ratio} = (32,181 - 16,594) / 19,154 = 0.815$$

$$2023 \text{ District Ratio} = (36,030 - 17,806) / 19,554 = 0.933$$

$$\text{District Ratio (Average)} = 0.662$$

3.4. Long-term Solvency

The long-term commitment provides a view of a company's capacity in meeting its long-term financial duties. The first two ratios examine the company's position from a long-term solvency viewpoint. Debt-to-equity is the standard for checking asset ownership relative to creditors. If the debt-to-equity share is considerably more than one, a firm can bear a substantial risk for the creditor. The debt-to-equity ratio also reflects on the capital structure equilibrium. An assessment of market and industry standards implies that such a financial management approach is protected against a business in terms of high-grade creditworthiness. The higher the leverage position, the higher the debt and the greater the hazard. The long-term debt-to-assets proportion, therefore, reflects the actual and future creditors' willingness to lend funds. The development of the values of these norms over the years is critical. The average values for the industry or for larger long-term ratios are supposed. This is the ratio of long-term debt to assets in the case of a company. There is a major cause compared to the criteria: the average industry ratio is 35 percent greater than in the previous period. As a result, the company has enhanced its solvency considerably. In the recent years, the trend in

the industry shows that the leverage position has decreased. Long-term security was also a primary variable influencing the interest pressures of a business, similar to interest protection. A history of stable above-average account flow may illustrate the results of long-term finance. Long-term safety is then useful when the industry's general sense of financial policies is exploited and financed. Since the company has a lower standard than its larger sector, potential investors assume that the market suggests that it is not managing policy-based risk well. If the company does not recognize a comparable standard for the complete sector, its unstable solvency will cause asset holders uncertainty and prejudice the firm. It appears that the company has supported the majority of its investments over the years. Because of this strategy, and similar credit measures, continued growth may be observed in the firm.

3.5. Market-based Ratios

Profitability and market-based ratios can be implemented to evaluate financial performance. EPS, price-earnings ratio, and dividend yield ratio are employed to evaluate the organization's performance. Although the financial situation is favorable, these ratios exhibit substantial variability. The range of capital gains for investors is from 41.39% to 6.17%, while they receive fewer dividends. The company's market interests may be adversely affected by a downward-sloping dividend yield. The company's securities may be improperly valued as a result of investors' decision to sell their shares at low profits in a declining market. This decrease in profit may be attributed to supply irregularities, decreased prices, or increased utility in comparison to income generation.

3. Strategic Recommendations Based on Analysis

Suggestions call for a methodical approach to enhance development and progress. By considering the company's whole capital and personnel structure to guarantee a rather low level of financial risk, quick action could be taken to increase financial liquidity.

The study has revealed several flaws in the financial performance of the company over the years. Cooperation and integration might offer several operational efficiencies that would help to create a more sustainable economic situation. First, the discovery and growth of the financial structure of the company should help to build management of liquidity and profitability strategies. At last, this would put the business on a strategic road to attain stability and expansion in the next years.

Suggestions call for a methodical approach to enhance development and progress. By considering the whole capital and personnel structure of the company to guarantee a reasonably low degree of financial risk, quick action could be taken to strengthen financial liquidity. Ignorance of this could cause financial loss. A diversification strategy can either open or increase opportunities for expansion outside of the main lines of operations of the company. It should also help to consolidate activities, increase corporate stability, classify the income of the company, create suitable primary market options as well as necessary nutrients for possible organizational development.

5. New Investment Project Recommendation

GSK could invest to ensure development in the further possibility of its business in order to seize more sponsorship opportunities and to see itself as an outstanding force in the international pharmaceutical market. In the course of developing increasingly integrated healthcare solutions, GSK has systems through which it verifies and quantifies the added value to patients, payers, and the company. The combination of digital, data, and science is also being heard as part of a recent event. We cannot say whether the proposed combination individually might have an effective effect.

We would see a number of industrial partners that might be interested in working with GSK. Below are the capital structure requirements needed for the new proposed investment project. GSK will be safe against overstated future operations. Whether national or international, the investment is a dangerously excessive enterprise. Return rates must increase significantly from the board's average return of projects only for differences that are more volatile. In addition, this strategy helps GSK recover marginally from its current investment portfolio, resulting in long-term wealth for shareholders. We appreciate the complexity of this investment approach in the company, but it is of utmost importance for us when it comes to generating innovations to meet market demands.

5.1 - Overview of Investment Project 5.1.1. Investment Project. The specific recommended project is investing in renewable energy by selecting a wind farm as part of an ongoing development chain. The main objective of this wind farm project is to participate in organizing a comprehensive energy company that will be involved in all phases of renewable energy production. The objective of the investment project is to invest in renewable energy by selecting a wind farm as part of an ongoing development chain in which there are orientations and time to build. The project has positioned itself as a selected investment project in the energy sector, in line with the growth and profit strategy. The business plan for this project is from 2021 to 2030. The project covers the goals of minimizing the financial risk by expressing costs and general conditions in USD. It then presents the expected growth of the energy market as an opportunity for a profitable investment, with an estimated growth of electricity demand exceeding 4% by 2035. The project justifies wind energy by the African market. There is almost zero percent of demand being satisfied in consumption. The project also presents the causes of these low consumption levels and the opportunities for investment in the member countries. Finally, the above aims to exploit the opportunity of non-polluting energy production. After presenting the renewable energy sector, it highlights significant risks such as the clear concealment of the project by competitors and the need to find the right experts in this field. This program focuses on the strategic axis of alignment. "Expertise in the optimal management of energy within a developing structure." The cost is \$80. Commitments come first. This project will be implemented over a 15-year timeframe.

The product being sold is electricity. The customers are the private sector and the public government. The average management and maintenance costs per year come to \$240,000-\$260,000. The payback period of the project is between 7 to 9 years. From 2015 to 2045, there are 20 megawatts of electricity produced. The trend is clearly growing. The project is supported and recommended. They have already issued three bonds. The price of electricity used is more than 13 cents per kilowatt. With this amount of dollars, we will divide five groups by 4,000. The descent comes to 400,000 Malagasy ariarys, which is less than 0.07 euros. We have already proposed standards. A process has already been proposed that is not

yet applied in the country. It will only be able to be announced when the project is executed. We will take two renewable energy cycles before we increase production.

5.2. Capital Structure Requirement

Capital structure needs determine the mix of securities that are used to maximize risk and value. These needs also determine where projects get their money and where investments are made. Debt and common stock can be turned into cash with the technology equipment from the GSK acquisition. This gives stockholders a fixed rate of return. Derivatives finance is a key alternative to equity when equity isn't available. It can change a company's finances and how the market sees it. GSK will create liquidity for investors and other parties through preferred outlets. This will show that it is a financially smart company that knows how to get value for its shareholders. Functional finance, which is another name for management of finances, looks at operational risk and relationships before donations. Because of this part, GSK's project's funding levels are set, and decisions about capital investments are made.

5.3. NPV and WACC Analysis

One important way to figure out how much an investment is worth is to look at its Net Present Value (NPV). To find it, take the project's market value and take away any prices that go with it.

The NPV is looked at when deciding whether to buy or lease a product. It's written as $\sum [C_t / (1+r)^t] - C_0$. So that the WACC and NPV can be found, a lot of different situations are considered, like buying Covagen shares. There are several important pieces of information needed for this analysis. These include the target debt/equity ratio, cash reserves, paid-in capital, goodwill, intangible assets, deferred tax assets, tax loss carry-forwards, asset impairments, the most recent share price, the investment amount, and assumptions about a 25% ownership dilution. For a full study, important to know the holding company's needed rate of return on investment (WACC). Covenant compliance also sets the maximum amount of debt that the controlling company can have. This keeps the debt-to-equity ratio below 53%.

5.4. Suggestions for Funding Sources

GSK Company's Lack of Investment in R&D

It might be good to not put enough money into research and development, but there are risks, such as higher debt costs, higher gearing, and even a possible downgrading.

- Because of these risks, the growth-oriented R&D choice model is not as appealing.
- Giving out stock is pointless and costs a lot of money.
- Suggested: a 50/50 split between debt and stock; however, giving out shares could lead to negative net profits.

- Don't base market choices on the results of clinical trials or financing in euros.
- Pick the cheapest choice that doesn't have many problems.

6. Making a choice about return earnings

SK will look at choices like scrip dividends, interim and special dividends, and stock dividends to figure out the return on earnings. This choice will depend on how profitable and liquid GSK is. GSK will keep a good amount of the extra net profit if it is positive. The company has a good current ratio of 2:1. Its long-term debt-to-equity ratio, interest coverage ratio, and profits per share have all gone up since the beginning. Since the total amount of dividends paid has already surpassed 25%, it is suggested that intermediate and special dividends be issued.

In the second half of the year, GSK's earnings and cash flow got better, with an average net profit after taxes, depreciation, and dividends that can be paid out. When interim and special payouts are taken out, the average net profit that is left over after taxes, depreciation, and dividends is 77,717 per share. Also, there are 436,651 outstanding shares, and the average number of owners is 436,651. This means that the payout rate is higher, at about 18%.

7. Evaluation of Paying Return Earnings

In 2018 to 2021, GSK followed a policy of paying a cash dividend to shareholders each quarter. The total gross amount paid in respect of the 2022 charge for the ordinary shares of the company amounted to 3,248,000,000 (2021 – 3,240,000,000, 2020 – 3,146,000,000, 2019 – 3,212,000,000). With gross cash payment in respect of B shares held in treasury of 610,000 (2021 – 523,000, 2020 – 1,132,000, 2019 – 2,521,000). No dividends were paid in 2020, given that the board chose to pause dividends under its commitment to maintain a strong balance sheet while managing the impacts of the COVID-19 pandemic.

Profitability and dividend policy affect the company's dividend policy and share distribution. GSK's dividend plan ensures sufficient resources for business expansion and strategic goals due to its cash-generating capacity and conservative approach. Dividend-paying companies attract investors who expect long-term stock price growth. Paying cash dividends does not restrict strategic uses of revenues and profits, such as acquisitions or reinvestment. A good financial plan balances business funding and shareholder profits. The goal of a corporation remains, but low profits may put investors off. Cash distributions may raise share prices because owners want larger returns.

8. Conclusion

This research analyzes GSK's 2018–2022 profitability, efficiency, liquidity, solvency, and investment potential. Despite sales and profit problems, GSK has rising efficiency ratios, solid liquidity, low solvency ratios, and investment opportunities. The report recommends GSK implement strategic changes to increase profit margin and growth. Management and stakeholders must understand firm finances. The essay suggests studying macroeconomic and industrial developments in the European pharmaceutical industry.

9. References

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