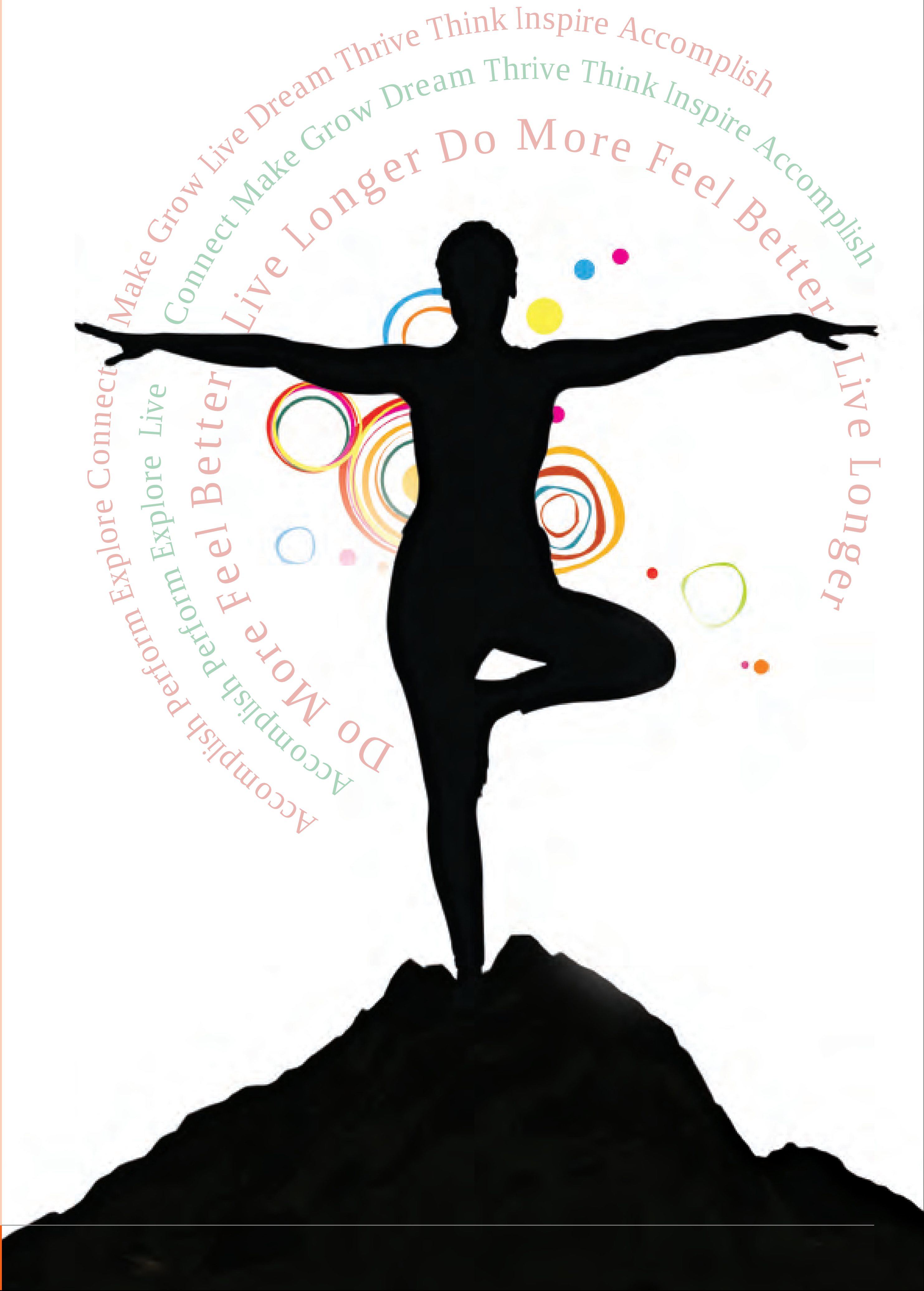
GlaxoSmithKline

GlaxoSmithKline Pakistan Limited

ANNUAL REPORT 2011

DO MORE | FEEL BETTER | LIVE LONGER


Accomplish perform Explore Connect Make Grow Live Dream Thrive Think Inspire Accomplish
Accomplish perform Explore Live Connect Make Grow Dream Thrive Think Inspire Accomplish
Do More Feel Better Live Longer Do More Feel Better Live Longer

Inspiring Lives

At GSK we strive to achieve the best results and maximize impact by providing value to our customers. Our people are inspired by our vision of a happier, healthier world and work towards achieving it with passion and enthusiasm. We believe that each life we touch through quality healthcare products and various corporate social responsibility initiatives inspires them to

DO MORE | FEEL BETTER | LIVE LONGER

Contents

Engage Relax Cherish Love Enjoy Dream Foster Love See Inspire Engage Relax
Relax Cherish Love Enjoy Dream Foster Love See Inspire Engage
More Feel Better Live Longer Do More Feel Better

Corporate Information

Board of Directors
Mr. M. Salman Burney
Chairman / Chief Executive

Mr. Rafique Dawood
Non-Executive Director

Mr. Husain Lawai
Non-Executive Director

Mr. Mehmood Mandviwalla
Non-Executive Director

Dr. Muzaffar Iqbal
Technical Director

Mr. Shahid Mustafa Qureshi
Legal, Corporate Affairs, Industrial Relations, Administration & Regulatory Affairs Director/ Company Secretary

Ms. Erum S. Rahim
Director Marketing and Business Development

Mr. Maqbool ur Rehman
Sales Director

Mr. Yahya Zakaria
Director Finance

Ms. Fariha Salahuddin
Director Human Resources

Audit Committee
Mr. Rafique Dawood
Chairman

Mr. Husain Lawai
Member

Mr. M. Salman Burney
Member

Mr. Mehmood Mandviwalla
Member

Management Committee
Mr. M. Salman Burney
Chairman / Chief Executive

Dr. Muzaffar Iqbal
Technical Director

Mr. Shahid Mustafa Qureshi
Legal, Corporate Affairs, Industrial Relations, Administration & Regulatory Affairs Director/ Company Secretary

Mr. Yahya Zakaria
Director Finance

Ms. Erum S. Rahim
Director Marketing and Business Development

Mr. Maqbool ur Rehman
Sales Director

Mr. Pervaiz I. Awan
Sales Director

Mr. Sohail Matin
Country Manager - Consumer Healthcare

Dr. Atif Mirza
Director Medical Services

Company Secretary
Mr. Shahid Mustafa Qureshi

Chief Financial Officer
Mr. Yahya Zakaria

Bankers
Citibank NA
Standard Chartered Bank (Pakistan) Limited
HSBC Bank Middle East Limited
Habib Bank Limited

Auditors
A. F. Ferguson & Co.
Chartered Accountants

Legal Advisors
Rizvi, Isa, Afridi & Angell
Mandviwalla & Zafar
Orr, Dignam & Co.
Surridge & Beecheno
Vellani & Vellani

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.gsk.com.pk


Explore Grow Engage Realize Complete Reach Prevail Triumph
Feel Better Live Longer Do More Feel Better Live Longer

Vision

GlaxoSmithKline's vision is inspiring:

"The opportunity to make a difference to the lives of billions of people"

At GSK we perform in unison, by following our value system and ethical guidelines as a source of guidance and inspiration, which helps us achieve our vision.

Each and every member of the GSK family plays a vital role in improving the quality of human life. GSK's growth and development can be attributed to the contribution of the skills, talents and ideas of its people.

GSK follows its core values of transparency, integrity, respect for people and patient focus. We are proud of our commitment that enables us to enhance the quality of peoples' lives and helps us to provide them with quality products.

Mission

GlaxoSmithKline's quest is to improve the quality of human life by enabling people to

DO MORE | FEEL BETTER | LIVE LONGER

At GSK our mission acts as an underlying principle to whatever we do. We follow a legacy of great science and innovative healthcare that helps people around the world live healthier and fulfilled lives, every single day.

Our Values

Respect for people

We believe that respecting each other is the key to progress and growth for everyone: our business, employees and customers. Therefore, the culture at GSK celebrates diversity and achieving goals with team work and cooperation.

Patient focused

Our commitment to our purpose of improving the lives of billions ensures that all our efforts, be it research, manufacturing or distribution are geared towards improving patient access to quality health solutions.

Transparency

We are committed to building and streamlining existing systems to eliminate any possibility of unfair practices. This has been possible only because of our employees, who are honest and fair in everything they do and take personal responsibility for all their actions.

Integrity

Our guiding principles go beyond complying with legal and ethical regulations. Each member of the GSK family takes pride in making decisions which are not only profitable but are morally sound, each has the sincere intent of benefiting the patients, which has helped us foster long-term relationships.

Our Behaviours

GSK fosters a dynamic learning culture, which thrives on innovation and flexibility. We do this so that we can provide the best customer-centric health solutions by adapting to the changing needs of the healthcare market. Therefore, our work is embodied by six behaviours:

Flexible thinking

We explore multiple options for problem-solving.

Enable and drive change

Our ideas are executed to realize benefit for customers and business growth.

Continuous improvement

We not only excel in what we do, but find innovative improvements to current practices.

Customer driven

Our philosophy of improving the lives of billions of people is at the heart of everything we do.

Developing people

Empowered employees take initiatives and provide creative solutions to challenges.

Building relationships

Trust and openness inculcated in everything we do. It helps us to foster long-lasting partnerships.

Strategic Priorities

By focusing our business around our five strategic priorities, we are confident that we can fulfill our promises to the world.

Grow a diversified global business

We are reducing risk by broadening and balancing our portfolio, diversifying new product areas, while also fully capturing opportunities for our products across all geographic boundaries.

Deliver more products of value

Transforming R&D to ensure that we not only deliver the current pipeline of new pharmaceuticals, vaccines and consumer healthcare products, but that we are also able to sustain this flow of new products for years to come.

Simplify the operating model

We are simplifying our operating model to ensure that it is fit for purpose and able to support our business in the most efficient and effective way.

Create a culture of individual empowerment

Empowerment is key to achieving our goals and we ensure that our employees receive the tools and inspiration they need to make decisions with confidence and accountability.

Building trust

We see building trust as a fundamental platform. Essentially, without trust, we don't have a business.

Ethical Conduct

Our Ethical Compass Always Points to Fair Practice

We are committed to creating a strong ethical culture at GSK. Putting patients first is the core principle of being an ethical pharmaceutical company. Profit without principle is short lived. Our Code of Conduct sets out the fundamental standards to be followed by staff in their everyday actions on behalf of GSK, and seeks to promote honest and ethical conduct. Our employees are committed to:

- Conducting business with honesty, integrity, and in a professional manner.
- Building relationships with customers and fellow employees that are based on trust.
- Treating individuals with respect and dignity.
- Becoming familiar and complying with legal requirements, company policies and procedures.
- Avoiding any activity that could involve or lead to involvement in any unlawful practices.
- Avoiding actual or potential conflicts of interest with the company or the appearance thereof, in all transactions.
- Providing accurate and reliable information in records submitted and to respect the confidential information of other parties.
- Where permitted by local laws, promptly report to the company any breach of laws or regulations, ethical principles or company policies that come to attention. Cooperate fully in any audit, enquiry, review or investigation by the company.
- Facilitate External Auditors in audits and provide required information in a timely manner.
- Managers to ensure that all their employees receive guidance, training and communication on ethical behaviour and legal compliance relevant to their duties for the company.
- The company maintains policies regarding prevention of corrupt practices & maintenance of standards of documentation.

History of GSK

In 2001, Glaxo Wellcome and SmithKline Beecham merged to form GlaxoSmithKline, to become one of the largest pharmaceutical companies in the world.

The path to today's leading research-based pharmaceutical company started with individual entrepreneurs of the 1800s. Their pioneering efforts laid the groundwork for growth in the different companies that, over the years, were to lead to today's GlaxoSmithKline.

We are exceptionally proud of how far we have come, and in a world where the only constant is change, we are always thinking, adapting and growing.

1830 - John K. Smith opens a drugstore in Philadelphia

1842 - Thomas Beecham launches Beecham's pills in England

1880 - Burroughs Wellcome & Company was founded

1891 - SmithKline & Co. acquires French, Richards & Company

1906 - Glaxo is registered by Joseph Nathan & Company as a trademark for dried milk

1929 - SmithKline & French becomes research focused

1989 - SmithKline & Beecham merge

1995 - Glaxo & Wellcome merge

2001 - GlaxoSmithKline


Care Share Learn Grow Inspire Foster Encourage Dream Smile Motivate Shine Flourish Thrive
Do More Feel Better Live Longer Do More Feel Better Live Longer Do More Feel Better Live Longer

Touching hearts. Inspiring lives.

GSK is devoted to excellence and aims to conduct business practices aligned with our values of commitment to transparency, respect for people, demonstration of integrity and patient focus. Our operations are led by our values and principles where we put patients first in our decision making to ascertain that we help them to “Do More, Feel Better and Live Longer”.

In accordance with GSK's core philosophy, we invest in community partnership programmes that seek to improve access to medicines and healthcare around the world and create opportunities in education and economic development.

At GSK, corporate citizenship is reflected in the way that work progresses at various levels. As a research based company, we find it essential to embrace ethical practices, employ sound marketing plans and give priority to environmental sustainability and community development.

GSK at the heart of the Community

GSK aspires for a real difference to communities where we collaborate with partners to solve healthcare challenges in an innovative manner. We are investing in developing world healthcare infrastructure and in 2011 we have set up new partnerships with AMREF, Save the Children and Care International to deliver future investments.

Our programmes include:

PULSE:

The PULSE Volunteer Partnership programme is an integral part of GSK's commitment to serving communities around the world by empowering employees to volunteer their professional expertise towards sustainable change.

Launched in April 2009, PULSE is an initiative that empowers employees to make a sustainable difference for communities and patients in need. Employees are given an opportunity to use their professional skills and knowledge during a three or six month immersion experience within a non-profit or non-governmental organization (PULSE Partner). Through this experience, volunteers address a clear partner need whilst developing their own leadership capabilities.

So far, PULSE has placed nearly 200 Volunteers from 26 countries working with 58 Partners in 39 countries.

PULSE
THE GSK VOLUNTEER PARTNERSHIP

African Malaria Partnership:

We are working with Save the Children and other partners to improve access to treatment and prevention of malaria in Sub-Saharan Africa. This programme works through education of communities and training to help the community heath volunteers diagnose cases of severe malaria.

Eliminating Lymphatic Filariasis (LF):

We work in partnership to eliminate LF, one of the world's most disabling diseases, through the Global Alliance to Eliminate Lymphatic Filariasis. Over 556 million Albendazole treatments have been donated to 26 countries.

Expansion of our Albendazole Donation:

We announced in 2010 that we would expand our donation of Albendazole to enable treatment of school-aged children in Africa against intestinal worms from 2012 onward.

Disaster Response:

We donate cash and urgently needed medicines to people affected by emergencies and natural disasters.

In 2011, Thailand was hit by the worst ever floods in 50 years while Cambodia encountered the worst flooding in over a decade. Under such adverse circumstances, GSK partnered with different NGOs to donate urgently needed medical supplies, food, water filters and hygiene kits amongst stranded flood victims.

Our work with the Community in Pakistan

GlaxoSmithKline Pakistan adopts the spirit of corporate citizenship and every member of the GSK family endeavours to support various programmes ranging from healthcare, education, social development to relief efforts in Pakistan.

Center of Nursing Excellence:

The Center of Nursing Excellence was established in 2008 to produce teachers for existing schools of nursing in Pakistan with a GSK approved donation of £ 250,000 to be provided over a period of 3 years with the plan to ultimately make the project self sustainable.

Currently, the sixth batch of students is undergoing thorough training and approximately 150 students have graduated through the programme, significantly improving the standard of nursing education in Pakistan as it is estimated that a single well trained nursing teacher could eventually impact the care of 40,000 patients each year by teaching an average of 100 new nurses.

Concern for Children Trust:

Concern for Children has engaged in community driven development projects and sustainable development in Machar Colony Karachi, a coastal community at the perimeter of the metropolis since its inception in 1997. Their programmes have been divided into 2 thematic areas, Health and Education.

With GSK's support, CFC established the Child Health Clinic (MCH) in 1999 which is located in the busiest area of Machar Colony.

GSK also donated generously to support CFC's flood relief efforts by providing blankets and medicines free of cost for the medical camps set up in remote locations in the province of Sindh.

Flood Relief Efforts, 2011:

The 2011 floods in Pakistan caused severe damage in the province of Sindh and differed from last year's catastrophe as the extent of the damage was primarily limited to one province affecting close to 9 million people.

Donation of Essential Items:

Having assessed the needs of the flood victims, GSK Pakistan sought to serve 2 of their basic requirements, food and essential medicines.

GSK Pakistan partnered with agencies having logistical capability like Pakistan Navy, Air Force and Pakistan Medical Association. GSK also supported NGOs with grass root capability in their flood relief efforts such as the Muslim Aid and Janum Network.

Employee Initiative:

GSK employees depicted their true sense of empathy for the flood victims and just like last year they stepped up to help the flood affectees reconstruct their lives by personally delivering essential relief items in remote flood affected areas like MirPurKhas, TandoAllahYar and Umerkot.

With winter fast approaching, employees also donated in kind items with over 13 cartons of donations such as bedding and warm clothes for the flood affectees which were donated to Edhi home.

Corporate Donation to TDRP:

GSK also donated £ 25,000 to the Thardeep Rural Development Programme, an NGO dedicated to rural development in Sindh for 13 years. The donation was based on a thorough analysis of the needs of the flood victims and was hence divided equally between food ration bags and warm clothes/blankets.

Shining an Orange Day light on Pakistan's Youth:

The Annual Orange Day is a GSK initiative that allows employees to take one fully paid day to volunteer for a chosen community project, organization or cause which they support. Employees, supported by GSK, give their time and energy to help and support their local community. This not only benefits local non-profit organizations but is also very rewarding and creates memorable team building opportunities.

This year, GSK Pakistan decided to take the opportunity to inform the youth of the country about the various career opportunities available for them. Through this event, we focused on “Pakistan's tomorrow” by engaging with around 200 senior students from underprivileged schools like Teach for Pakistan and SOS Childrens' Village.

Staying true to its spirit of helping the community to Do More, Feel Better and Live Longer, GSK Pakistan organized the Orange Day 2011 on 19th December. This year, the purpose of the event was to do something meaningful for the children by providing them information which will guide them in creating a prosperous future for themselves. The event was divided into 2 broad sections, whereby the first half of the event was an informative career counseling session. Individuals from various walks of life were invited to speak at the event in order to inspire the students to follow their dreams and make the right career choice. There were internal speakers from within GSK who spoke about their professions and represented doctors, pharmacists, marketers, financiers, teachers and graphic designers. In order to make the event more exciting for the students, several external speakers and renowned individuals from the following fields were also invited to the event: journalism, culinary, music and navy. This event provided students the opportunity to learn about several career options and the way to achieve success in them.

A fun filled painting activity was also arranged for the students which provided them the opportunity to represent their inner most thoughts about the future of Pakistan using colors, creativity and their imagination. GSK volunteers were there throughout the activity, helping the students to put their thoughts down on to the canvases and a large beautiful wall containing the ideas of Pakistan's youth about its future was created. The theme of the painting activity was “Pakistan's tomorrow-As I see it” and it was indeed heartening to get a glimpse into the students' insight about the future of our country.

The amount of enthusiasm and energy depicted by the GSK volunteers before, during and after the event was overwhelming. All volunteers took time off to get involved and their efforts translated into hundreds of bright smiles on the faces of our guests.

Discover the world of GSK

Augmentin became the first ever 3 billion product in Pakistan during 2011

GSK is ranked No. 1 in terms of Value

GSK is ranked No. 1 in terms of Volume

GSK is ranked No. 1 in terms of Prescription

GSK has 8 products in the top 20 products in terms of Value

GSK has 10 products in the top 20 products in terms of Volume

GSK has 6 products in the top 20 products in terms of Prescription

Approx. 600,000 prescriptions are written everyday for GSK products in Pakistan

Approx. 10 million GSK tablets are consumed each day in Pakistan

Approx. 4.3 million teaspoons of GSK products are consumed each day in Pakistan (1 teaspoon = 5 ml)

Source: IMS PKPI Q3, 2011 and IMS MIP S1, 2011

GSK Pharma Launches 2011

GlaxoSmithKline Pakistan is proud to have launched 5 new products in the year 2011. All these products satisfy specific patient needs and tremendous time and effort has been devoted in ensuring maximization of opportunity and provision of patient benefit.

Votrient (Pazopanib) is part of a new era of cancer treatment molecules called Targeted Cell Therapy, which is different because it only targets and affects cancerous cells, unlike traditional chemotherapy which targets healthy cells as well.

Synflorix, a revolutionary award winning new generation pneumococcal conjugate vaccine provides broad coverage against the dreaded Invasive Pneumococcal Disease (IPD) like Pneumonia, Meningitis, Sepsis and Acute Otitis Media (AOM).

2011 marked another landmark in the illustrious history of GSK Pakistan, heralding a new era in the treatment of Urological disease. GSK took a single step forward towards Benign Prostatic Hyperplasia Management (BPH) as Duodart was launched in Pakistan.

Avamys (Fluticasone Furoate) is a novel Intra Nasal CorticoSteriod (INCS) launched in Pakistan in 2011 for the long lasting treatment of nasal and ocular symptoms of Allergic Rhinitis in an easy to use and innovative device.

FixVal (Cefixime), a third generation Oral Cephalosporin for the treatment of Lower Respiratory Tract Infection, Typhoid and Gastroenteritis was launched in 2011 as a brand for one of the fastest growing molecules in the pharmaceutical industry. FixVal was launched under the Value Health banner that provides access to quality medicines for patients.

Stiefel

For more than 160 years, Stiefel has remained a driven, pioneering force in the pursuit of tomorrow's skin health solutions. Today, Stiefel, a GSK company since 2008, is a specialized business unit within GlaxoSmithKline and is focused exclusively on skin health. It has broadened its portfolio in both prescription medications and signature skin care dermatology products by leveraging the R&D facilities and commercial focus of GSK, hence fostering greater capabilities to treat even more skin conditions.

Stiefel Pakistan continues its mission to triple the consumer business, double the prescription business and to be the number 1 dermatology company in Pakistan.

Medical Affairs

In 2011 GSK Medical Affairs created a therapeutic area wise team to conduct Scientific Engagement activities for the exchange of information between GSK and external communities in accordance with our global initiative to drive a value-based culture.

In the year 2011, Study Accountable Persons (SAPs) were identified at country level to fully empower for quality actions while WISDOM (Worldwide Integrated System for Drugs & Medical information) was launched to increase GSK's efficiency in alignment with global processes of providing medical information to healthcare professionals.

GSK Consumer Healthcare

Sensodyne Mega Re-launch

Marking the brand's 50th anniversary, GSK CHC announced the re-launch of Sensodyne, the leading toothpaste for dentine sensitivity, in Pakistan in 2011.

Launch of Junior Horlicks

GSK launched Junior Horlicks for children aged 2 to 5 in 2011. It is heartening to note that Junior Horlicks has been extremely well received by both Consumers (Kids) and Customers (Moms), and the brand has performed extremely well on all parameters since its launch.

Horlicks Wins Brands of The Year Award!

Horlicks made GlaxoSmithKline Pakistan proud when it became the recipient of the prestigious 'Brands of the Year Award'. Horlicks was nominated for the award in the Nutritional Supplements Category and was identified through Consumer Research as the brand of choice for consumers. The brand received a rating of A+ by the Brands Awards Council Survey*.

*Brands Foundation has the legal mandate to conduct brands audit, qualitative study, quantitative survey, market analysis & brands rating in Pakistan in order to arrive at the 'Brands of the Year' award winners.

Parodontax launched in Pakistan

A new toothpaste to help prevent bleeding gums called "Parodontax" was launched by GSK in 2011. Parodontax is a brand which is more than 70 years old, is well known for its effectiveness and herbal ingredients to treat Gingivitis and Periodontitis.

Quality Management System (QMS)

> Through technical and personal mastery of all our processes and systems we will, by first intent, confidently deliver:
>
> The right products to patients and customers at the right time and cost.

Our Focus is on:

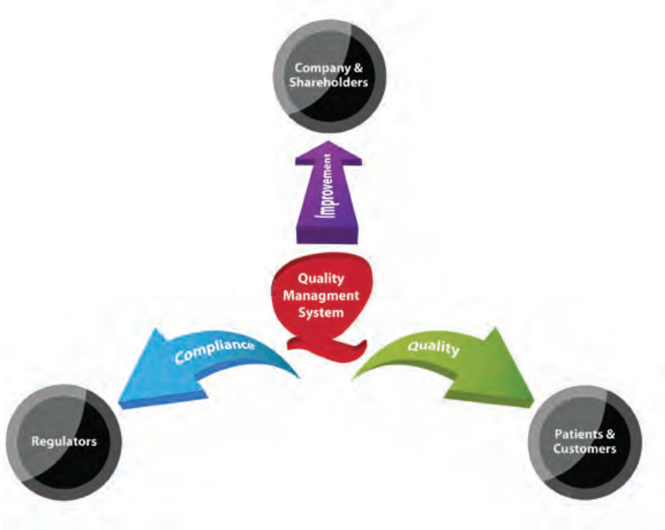
- Quality Foundation – Product focus for patient benefit
- Quality People – Developing our people
- Quality Future – Building future capability
- Technical and R&D Interfaces
- Emerging Markets and Acquisitions
- Empowerment and Leadership
- Compliance
- Efficiency and Capability

Quality Management System

Quality Management System provides GSK with a practical approach for moving towards a proactive quality culture whilst maintaining and improving compliance. QMS is subject to continuous review to meet the changing needs of the business that includes:

- Compliance to Current Goods Manufacturing Practice (cGMP)
- Strategic improvement for quality processes, facilities and systems
- Alignment of site quality activities with direction set through GMS Quality Intent and GMS Quality Initiatives
- Initiatives to align QMS with Operational Excellence; embed OE in all processes

- Maintain visual displays for Key Performance Indicators
- Projects driven through technology transfer validation (including product, process, cleaning and computer validation)
- Lab Efficiency Project - Flow of process for testing all the products and raw materials (Flow Star)
- Develop alternate sources to ensure continued supply
- Install Electronic Verification System for primary and secondary components to avoid material mix up



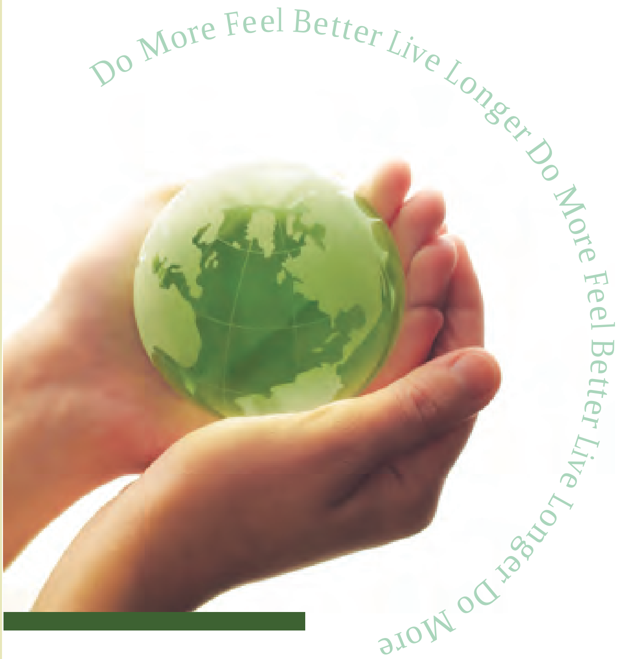
Developments at GSK:

- Rationalization of bulk sample size for testing of certain injectable - an initiative to enhance improvement in yield / batch leading to financial benefits and reduction of sampling waste
- Reduction in microbial limit test of topical ointments from every batch to validation batches only based on retrospective data and risk analysis - a process improvement initiative that resulted in prompt availability of products to commercial
- Lean documentation through harmonization - packaging component specification sheets merged as per the materials classification to simplify the process flow and improve process efficiency
- Development of system statistical calculation of microbiological assay - an automation initiative progressed to improve process efficiency and ensure method reliability

Environment, Health & Safety

To create a no injury and no illness culture, Near-Miss- Reporting was significantly improved this year at all the sites.

To avoid any injury due to moving parts, an ambitious programme of physical guarding and Lock Out Tag Out (LOTO) was launched with the aim of Zero Access to any hazardous condition. Engineering teams worked hard and brought a step change in machinery safety standards at all the sites.



GSK is committed to continuous improvement in energy and resource consumption as part of sustainability initiatives. We have achieved 6% reduction in energy consumption and 3% reduction in water consumption at our operations despite increased manufacturing volumes. All the sites have waste water treatment facilities meeting the National Environmental Quality Standards of EPA Pakistan.

Annual Environment Excellence Award

GSK received the "Annual Environment Excellence Award" from the National Forum for Environment and Health, an independent NGO advocating environmental-friendly practices, healthcare and safety.

A Journey towards Sustainability

GSK has globally shifted its Energy Reduction target from Units Consumption to Carbon Dioxide Emissions.

Fast paced advancement and development in technology is the most common practice, currently followed by leading organizations throughout the world, however fact remains that resources are scarce. Energy is one of the most vital resources that drives the world.

Energy Conservation and Environment Protection have been the prime targets to achieve for the sustainability of the business and betterment of the society at GSK Pakistan.

Energy targets are now measured in terms of Carbon Dioxide emissions every year by each site.

At GSK Pakistan, projects like Energy Efficient Utilities Equipment, Automation of Power Controls and moving towards energy efficient process substitutes have caused more than 10% reduction in CO_2 emissions.

The encouraging aspect is that savings in energy consumption are not just attained from investments in these projects, but also from energy conscious behaviour cultivation at floor level. With same pace of projects, initiatives and positive behaviour in the team, a sustainable, environment friendly growth of business is promised by GSK Pakistan through reduction in CO_2 emissions.

Our Flagship Products - Our Pride


Seretide
EVOHALER
25/125 mcg
Avamys
Oilatum
junior
Cream
PHYSIOGEL
SpectraBAN
SC
SUN
Panadol
CALPOL
(Paracetamol)
Votrient
(Pazopanib)
200 mg Tablets
FixVal
(cefixime)
ZOLANIX
Value health
CipVal
(ciprofloxacin)
Hydrozole
Fluoride
Engran
FefolVit
30
CAPOTEN
(Captopril)
CUTIVATE M

Growing People to Grow the Business

GSK employees are a talented and assorted workforce, making GSK a dynamic place to work. We enable our employees to be creative, resulting in innovative solutions for our customers and the local community. Our success, therefore, is shaped by our people. On the path to growth, empowerment and teamwork, GSK endeavours to fully employ the skills, abilities and energies of every employee. We strongly believe that our efforts flourish when we are working together and moving forward in one direction.

Our diverse human resource gains strength as we nurture our talent with world-class training and development, meaningful assignments, and networking opportunities.

HR Transformation

At GSK, the Human Resource function does not simply perform activities, instead it aims to build organizational capability. In order to redesign, reengineer and upgrade HR as a critical contributor to business success, a One-HR model has been launched for all businesses across GSK Pakistan, Iran & Afghanistan.

Moreover, to educate Business Managers on HR Transformation and the new ways of working, HR Transformation awareness sessions were conducted across Pakistan.

By accomplishing transformation successfully with simplified processes, GSK envisions HR to be center stage as the business faces new changes and challenges.

GSK Pakistan Community Web Page

GSK proudly launched, for the very first time, its Community Web Page which went live in 2011. Whether it be announcements of new hires, promotions, product launches or sales trends for the year, the GSK family is now able to stay connected and updated with GSK initiatives.

Respect at Work Roll Out

At GSK we are committed to ensuring a workplace free of bullying and harassment. This commitment is based, in part, on the need to ensure that our company complies with the respective laws. However, we are also committed to providing a pleasant working environment for all employees and encouraging good working relationships between employees.

In order to ensure standards are maintained, HR and Compliance joined hands and visited various locations in 2011 to roll out “Respect at Work” initiative.

We also expect that our employees must ensure that they do not encourage harassment. For that matter, all employees were provided with contact and process details in case such a situation arises.

Exporting Talent

GSK encourages its employees to take on assignments within GSK's Global Network, to gain exposure and the know-how to benefit themselves and GSK.

Employee Development

At GSK, all employees must adhere to defined Code of Conduct and Ethical Policies. This is ensured through initial training of all new employees and refresher sessions for the existing ones. All employees must undergo mandatory training programmes on privacy, appropriate use of technology, ethics and Code of Conduct.

Apart from these policy awareness initiatives, we have a high focus on on-the-job training for ongoing development of our employees. This includes giving and receiving feedback from colleagues, peers and line managers to increase self-awareness and thus ensure self development.

At GSK Pakistan we ensure that our employees are aware of our values, aligned with our strategies, motivated to achieve their goals and engaged to do their very best.

"At GSK there is continuous focus on growth and development of each and every employee. Working to help identify and develop yearly development plans with regular 360 degree feedback, participation in cross functional and cross country projects, opportunities to gain leadership experience - all these tailored to individual employee assessments - are inherently what helps GSK retain the best employees and run a strong successful business."

Dr.Rabia Shah
Manager, Marketing
Initiatives & Excellence

Do More Feel Better Live Longer Do More Feel

"At GSK hard work is always rewarded, innovation appreciated and initiative encouraged! I have had seven years of development and growth opportunity at GSK managing various portfolios in Sales Training, Marketing and Medical which has added to my professional and personal life. This diverse experience has motivated me to go an extra mile with the assurance that GSK is, beyond doubt, interested in grooming and rewarding its employees."

Dr.Asma Kamran
Medical Manager,
Internal Medicine

"My career at GSK began as an HR Trainee and during that time my effort and hard work was immediately recognized. A year and a half later, I am now the Assistant Manager HR Compliance at GSK with potential for growth and progression. During this time, I have always been groomed by my seniors to work independently and to shoulder responsibility very early on which ensured immense learning for me. As an employee at GSK, I am proud to say that the development opportunities at GSK are unparalleled."

Sehrish Ahmad
Assistant Manager,
HR Compliance

Do More Feel Better Live Longer Do More Feel

"I have found GSK to be an ideal place for personal development. Every new day brings with it greater job enrichment along with more opportunities to excel. The increasingly collaborative structure with cross-border teams has rendered a unique corporate exposure even as I continue to work locally."

Talal Ahmed
Manager, Planning &
Budgeting Pharma

Do More Feel Better Live Longer Do More Feel

"It is an honour for me to be a part of the GSK family. GSK is a company which gives its employees the opportunity to outshine and reach their maximum potential by empowering and equipping them with apt knowledge via continuous training and improvement. GSK also ensures that its employees are consistently recognized for their contributions both locally and globally. This kind of recognition leads to a high sense of citizenship and commitment towards the achievement of success for the organization."

Ayesha Muharram
Country Compliance,
Officer

"I started off my career with GSK 10 years ago and I have come a long way because in this tenure countless opportunities have come along, providing me the chance to hold five different positions. I have managed to self develop and help others as well through in-house as well as local and international trainings.

It would be right to say that I still see a long road ahead of me at GSK with new challenges and many opportunities."

Babar Ali Bozdar
Manager, QA Compliance
GMS F268

"As a female employed in the profession of Sales, I believe that I could not have opted for an organization better than GSK Pakistan. The reason for that is, GSK always seeks to provide a sense of security to its employees. At GSK, I feel that my present and future are both protected by the organization with respect to the benefits that we receive in return of our efforts. I am fortunate to be part of an organization in which employees feel empowered to achieve their developmental goals."

Do More Feel Better Live Longer Do More Feel

Nadia Bano
Product Specialist,
Oncology

Directors' Profiles

Mr. Maqbool ur Rehman

Mr. Maqbool ur Rehman joined SK&F in 1975 as a Medical Representative. He has worked throughout the country in the capacity of First Line Sales Manager, Second Line Sales Manager and subsequently National Sales Manager followed by Business Unit Head. Currently, he is working as Director Sales for Business Unit ll, Afghanistan Business and Animal Health Division. Mr. Maqbool ur Rehman has done his MBA in Marketing and has been part of teams that have achieved historical landmarks like Augmentin's first ever billion and Amoxil's 1.5 billion milestone within the industry. He has also been the proud recipient of GSK's Presidential Award. He has in-depth understanding of industry dynamics and geo-economic influences along with expertise in the healthcare business.

Mr. Mehmood Mandviwalla

Mr. Mehmood Mandviwalla is the Senior Partner of the law firm, Mandviwalla & Zafar. He obtained his LLB (Hons) from the London School of Economics and Political Science and was declared a Barrister from the Hon'ble Society of Lincoln's Inn. He has been in commercial law practice for over 27 years. He is on the Board of Directors of Pak Oman Microfinance Bank Limited and Karachi Garment City. He is also a member of the Board of Governors of the British Overseas School and Trustee of ICI Pension Fund.

Mr. M. Salman Burney

Salman Burney is the VP/GM for GSK Pakistan, Iran and Afghanistan. He joined the company in 1992 as Director Marketing & Sales and was appointed MD, SmithKline Beecham in 1997 with additional responsibility for Iran and the Caspian Region. He held the position of VP/GM for GSK in Pakistan at the time of GSK's integration and is currently responsible for the GSK pharmaceutical business in Pakistan, Iran & Afghanistan. He has a degree in Economics from Trinity College, University of Cambridge, UK and began his career with ICI Pakistan in Sales & Marketing within various roles in Pakistan, African/Eastern Region at ICI plc, London and as General Manager of ICI's Agrochemicals & Seeds Business.

Salman Burney has been the President of Pakistan's Foreign Investors Chamber and as Chair of the MNC Pharma Association has led the industry interface with government on various issues.

Erum Shakir Rahim

Erum Shakir Rahim started her career in the media and worked in advertising and journalism. She joined SmithKline Beecham in 1992 as Creative Services Manager and has since held various roles within the organization across the Consumer Healthcare and Pharmaceutical side of the business. In 2006, she was appointed Director Business Development and is currently working in the capacity of Director Marketing and Business Development, GlaxoSmithKline Pakistan, a position that she has held since 2007. She is a member of the Board of Directors at GSK Pakistan and is also a Trustee for Concern for Children and Trust for Health and Medical Sciences.

Mr. Shahid Mustafa Qureshi

Mr. Shahid Mustafa Qureshi holds Masters degrees in Law and Public Administration from renowned universities and is a Director and Company Secretary at GlaxoSmithKline Pakistan Limited. He is also responsible for Legal, Corporate Affairs, Industrial Relations, Administration and Regulatory Functions of the company. Mr. Qureshi has over 30 years of experience in multifunctional areas of business, both overseas and in Pakistan.

Dr. Muzaffar Iqbal

Dr. Muzaffar Iqbal joined Glaxo in 1987, and after having worked at various positions, was appointed Technical Director GlaxoWellcome in 1998. He had the opportunity to look after GMS Sri Lanka and GMS Chittagong and he currently is Technical Director GSK, responsible for manufacturing and supply functions in Pakistan. Before joining Glaxo, he worked as Research Associate at Case Western Reserve University, Cleveland, Ohio, USA for two years and as a Senior Research Associate at Washington University, St. Louis, Missouri, USA for two years. He has a PhD degree in Chemistry and an MS degree in Manufacturing Leaders Programme from Cambridge University, UK. He is a Certified Facilitator from Senn-Delaney Leadership Consulting Group Inc., USA for Leadership Edge Programme.

Mr. Husain Lawai

Mr. Hussain Lawai is the President and CEO of Summit Bank Limited and is a seasoned banker with vast experience in the banking and financial services industry. Mr. Lawai held the position of President & Chief Executive Officer at Muslim Commercial Bank and holds the distinction of establishing Faysal Islamic Bank, Pakistan branches; the first Islamic Shariah Compliant Bank (now known as Faysal Bank Limited). He also served as the General Manager, Emirates NBD Bank for Pakistan and Far East, and as Director, Security investment and Finance Limited, UK. Currently, Mr. Lawai is on the Board of Directors of Pakistan International Airlines (PIA), Wyeth Pakistan Limited, and Chairman of Central Depository Company of Pakistan.

Mr. Yahya Zakaria

Yahya Zakaria is a fellow member of the Institute of Chartered Accountants of Pakistan who has previously served in a management position under assurance & advisory services at A. F. Ferguson & Co. Yahya has been associated with GSK Pakistan for seven years and is presently working as Director Finance. During this period, he has overseen several simplification initiatives and business combinations while playing key business partnering roles with Supply Chain, Legal and Treasury to ensure business stability and delivery of greater shareholder value. In order to proactively meet new initiatives, he has also been extensively involved with the company's regional and corporate teams.

Fariha Salahuddin

Fariha has worked in various capacities at ABN AMRO, Unilever and Citibank. She is currently working at GlaxoSmithKline, as VP HR for Middle East and Africa. Prior to this role, she was leading a Talent Development project for Emerging Markets and Asia Pacific based in Singapore. She has held the position of Director Human Resources Pakistan, Iran & Afghanistan and has also worked on the Global GSK Employer Brand Project in London. She is also a Member of the Board of Governors at Pakistan Society for Training and Development and a Trustee for Concern for Children Trust and the Trust for Health and Medical Sciences.

Mr. Rafique Dawood

Mr. Rafique Dawood is the Chairman of First Dawood Investment Bank Limited, B.R.R. Modaraba and Crescent Standard Modaraba. Apart from the group companies, he is also on the Board of GSK Pakistan Limited, Pioneer Cement Limited and Hyderabad Electric Supply Corporation.

Board & Management Committees

Audit Committee

The Audit Committee assists the Board in the effective discharge of its responsibilities for corporate governance and financial reporting. The Audit Committee comprises of four members of which three are non-executive directors. The committee meets at least four times a year. It reviews the internal control systems including financial and operational controls, accounting systems and reporting structure to ensure that they are adequate and effective.

Management Committee

The Management Committee comprises of the Functional Heads to ensure smooth operations of the Company, strategic business planning, decision making and overall management of the Company. It also ensures adequacy of operational, administrative and financial controls.

Risk Management & Compliance Board

The Risk Management & Compliance Board comprises of the Functional Heads and a full time compliance officer. It reviews significant risks affecting the business, including financial, operational and legal compliance risks. It oversees and ensures the identification and implementation of internal controls to mitigate significant risks. The Board monitors the various compliance initiatives and promotes risk management and compliance culture in the Company.

Environment Health & Safety Committee

The Environment Health & Safety Committee is chaired by the respective Site Heads. It ensures operations are fully compliant with the EHS practices as outlined by regulatory control and corporate. It appraises the major EHS projects and monitors their implementation, identifies risk conditions and organizes training programs to educate employees for EHS issues.

Vision Team

The Vision team at GSK gives input for alignment of the GSK strategy and futuristic objectives. It primarily reviews line capacities at the various sites over the long term perspective focusing on capacity constraints, potential for export markets, product initiatives and new packaging requirements.

Directors' Report to Shareholders

The Board of Directors of GlaxoSmithKline Pakistan Limited is pleased to present the annual report and the Company's audited financial statements for the year ended December 31, 2011.

The Directors' Report is prepared under section 236 of the Companies Ordinance, 1984 and clause xix of the Code of Corporate Governance. This report is to be submitted to the members at the Sixty Fifth Annual General Meeting of the Company to be held on April 06, 2012.

Operating results

	Rs. in million
Profit for the year before taxation	2,237
Taxation	(1,096)
Profit after taxation	1,141
Un-appropriated profit brought forward	2,223
Profit available for appropriation	3,364
Appropriations:	
- Final dividend 2010 Rs. 4.00 per share	(832)
Un-appropriated profit carried forward	2,532

The Board of Directors is pleased to propose a final cash dividend of Rs. 4.0 per share amounting to Rs. 957 million and issue of 10 bonus shares for every 100 shares held (10%).

Net sales grew by 15% during the year to Rs. 21.8 billion. Profit after tax in this year was Rs 1.1 billion.

Holding Company

As at December 31, 2011, S.R. One International B.V., Netherlands held 184,207,825 shares of Rs. 10 each. The ultimate parent of the Company continues to be GlaxoSmithKline plc, UK.

Pattern of Shareholding

The Company shares are traded in Karachi and Lahore stock exchanges. The shareholding information as at December 31, 2011 and other related information is set out on pages 83 to 85.

The Directors, CEO, Company Secretary and CFO, their spouses and minor children did not carry out any trade in the shares of the Company.

Chairman / Chief Executive's review

The Chairman / Chief Executive's review on pages - 35 to 37 deals with:

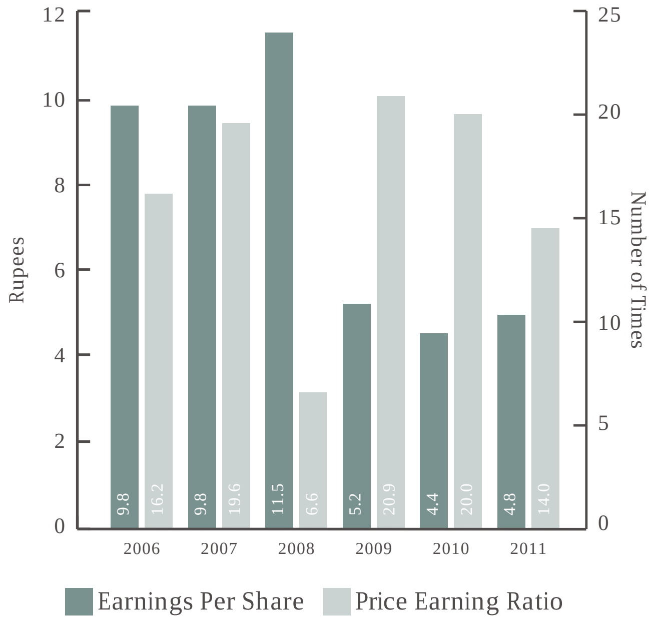
- Performance of the Company during the year in comparison to last year along with reasons for variances.
- Effective cash management strategy.
- Significant plans and decisions.
- Future outlook, business risks and challenges.

The directors of the Company endorse the contents of the same.

Basic Earnings per Share

Basic Earnings per Share after taxation were Rs. 4.77 (2010: Rs.4.42).

Earnings Per Share & Price Earning Ratio



Corporate Social Responsibility (CSR)

GlaxoSmithKline's commitment to a responsible, value based business underlies everything we do. Aligned with this principle, Corporate Social Responsibility is a key part of the way we work. Our CSR philosophy is targeted towards programmes that focus primarily on health and education and make a lasting difference to the communities in which GSK operates.

GSK participated wholeheartedly in the 2011 flood relief efforts just like last year whereby both the company as well as the staff donated generously and employees travelled to remote locations in order to personally donate relief items.

The Annual Orange Day is another depiction of the spirit of volunteering prevalent in employees at GSK. Through the Orange Day, GSK has been working with underprivileged children in our community. This year employees from across the organization participated in a career counseling session for students from underprivileged schools.

We continue to engage in various projects year round ranging from humanitarian aid to education and healthcare with the aim to support those that make a real difference and are mentioned in more detail from page 9 to 13.

Human Resource Development

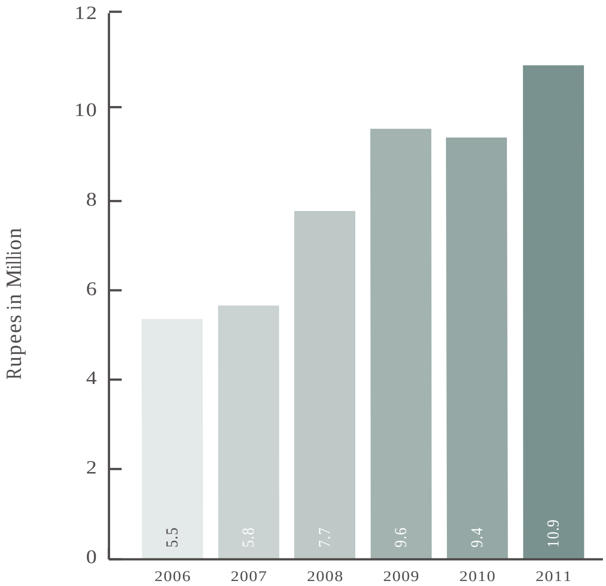
GSK focuses on providing the best development opportunities to its employees, ensuring a well rounded and developed workforce equipped with innovative ideas.

We encourage team building initiatives outside the workplace which refine the employees' problem solving capabilities.

In 2011, GSK Pakistan executed the Respect at Work plan which focused on building a congenial working environment with focus on reporting of harassment, bullying and grievance at work.

In an effort to inculcate the strategic priority, 'Simplification of the Operating Model', GSK successfully implemented HR transformation, creating a more embedded HR function.

Sales per Employee



Environment, Health and Safety (EHS)

GSK is committed to the maintenance of the standards of Environment, Health and Safety (EHS) at the highest level. The company has a dedicated EHS department to oversee the implementation of EHS requirements. As part of our governance responsibility, GSK conducts EHS audits of all manufacturing sites, assessing the management of key risks and their impact on business and performance against our global EHS standards.

In 2011, GSK received the “Annual Environment Excellence Award” from the National Forum for Environment and Health, an independent NGO advocating environment-friendly practices, healthcare and safety.

In the year 2011, plans were actively implemented to align all employees on the shop floor with safe working practices by reinforcing the culture of reporting through the Near-Miss-Reporting initiative.

GSK has focused on continuous improvement in energy and resource consumption as part of its sustainability initiatives. We are proud to announce that we have achieved 6% reduction in energy and 3% reduction in water consumption at our operations despite increased manufacturing volumes.

Statement of Ethics and Business Practices

Performance with integrity is central to our operations at GSK. The Board of Directors of the Company has adopted a statement of ethics and business practices.All employees are informed and aware of this statement and are required to observe these rules of conduct in relation to business and regulations.

Election of Directors

At the 64th Annual General Meeting of the Company held at the Beach Luxury Hotel, Karachi on April 20, 2011, the following ten Directors were elected in accordance with the provisions of Section 178 (1) of the Companies Ordinance, 1984:

Mr. M. Salman Burney
Mr. Shahid Mustafa Qureshi
Dr. Muzaffar Iqbal
Mr. Yahya Zakaria
Mr. Rafique Dawood
Mr. Husain Lawai
Mr. Mehmoood Mandviwalla
Mr. Maqbool-ur-Rehman
Ms. Erum S. Rahim
Ms. Fariha Salahuddin

Board of Directors' Meetings and Attendance

The Board of Directors met four times in 2011; each member’s attendance at these meetings is listed below:

Name	Meetings attended
Mr. M. Salman Burney	4
Mr. Husain Lawai	3
Mr. Rafique Dawood	4
Mr. Shahid Mustafa Qureshi	4
Mr. Javed Ahmedjee	1
Mr. Yahya Zakaria*	3
Dr. Muzaffar Iqbal	4
Dr. Iffat Yazdani	1
Mr. Mehmoood Mandviwalla	2
Mr. Maqbool-ur-Rehman	1
Ms. Erum S. Rahim	2
Ms. Fariha Salahuddin	0

*Mr. Yahya Zakaria was appointed as Director with effect from April 20, 2011.

Leave of absence was granted to the Directors who could not attend some of the board meetings.

The Board would like to record its appreciation and gratitude to Dr. Iffat Yazdani and Mr. Javed Ahmedjee for serving on the board and for their input and contribution over this period. The Board would also like to welcome Mr. Mehmood Mandviwalla, Mr. Yahya Zakaria, Mr. Maqbool-ur-Rehman, Ms. Erum S. Rahim and Ms. Fariha Salahuddin and looks forward to their contribution.

Audit Committee

An Audit Committee has been in existence since May 2002. The Committee consists of four members, of whom three are non-executive directors including the chairman of the committee. The terms of reference of this Committee have been determined in accordance with the guidelines provided in the Listing Regulations and advised to the Committee for compliance. The Committee held four meetings during the year.

An independent Internal Audit function reporting to the Board's Audit Committee reviews the financial and internal reporting process, the system of internal control, the management of risks and the external and internal audit process. The Internal Audit function also utilizes the services of independent audit firms for continuous review of internal controls and management of risks.

Management Committee

The Management Committee comprises of 9 senior members who meet and discuss important business plans, issues and progress made in their functions. Significant matters to be put forth in the Board are discussed for onward approval.

Risk Management

A Risk Management and Compliance Board (RMCB) has been established comprising of the business unit heads. The RMCB actively oversees review and management of all risks that are considered significant for each respective business unit. Every business unit periodically reviews the significant risks facing its segment of the business including identification of operational risks, legal compliance risks as well as risks to the achievement of strategic goals and objectives. The Company also has a nominated Compliance Officer.

Auditors

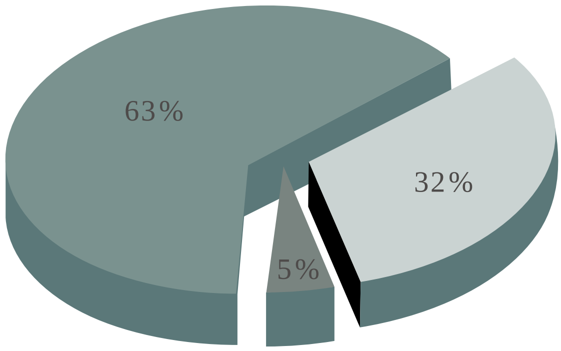
The present auditors, Messrs A.F. Ferguson & Co. Chartered Accountants, retire and being eligible, offer themselves for re-appointment. The Board of Directors endorses recommendation of the Audit Committee for its re-appointment as the Auditors of the Company for the financial year ending December 31, 2012, at a fee to be mutually agreed upon.

Subsequent Events

No material changes or commitments affecting the financial position of the Company have occurred between the end of the financial year of the Company and the date of this report.

Value of Investments of Provident, Gratuity and Pension Funds

The Company maintains retirement benefits plans for its employees. Value of investments of provident, gratuity and pension funds based on un-audited accounts as of December 31, 2011 (audit in progress) was as follows:



2011
Rupees ' 000

Provident funds	1,546,526
Gratuity Funds	791,041
Pension Fund	115,076

Corporate and Financial Reporting Framework

a. The financial statements, prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

b. Proper books of accounts of the Company have been maintained.

c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

d. The financial statements are prepared in accordance with International Financial Reporting Standards, as applicable in Pakistan.

e. The Company maintains a sound internal control system which gives reasonable assurance against any material misstatement or loss. The internal control system is regularly reviewed. This has been formalized by the Board's Audit Committee and is updated as and when needed.

f. There are no significant doubts upon the Company's ability to continue as a going concern.

g. There has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations.

h. The key operating and financial data for the six years is set out on pages 40 to 41.

By order of the Board

M. Salman Burney
Chairman / Chief Executive

Yahya
Yahya Zakaria
Chief Financial Officer

Karachi
March 08, 2012

Chairman/Chief Executive's Review

I am pleased to present the Annual report of your Company for the financial year ended December 31, 2011.

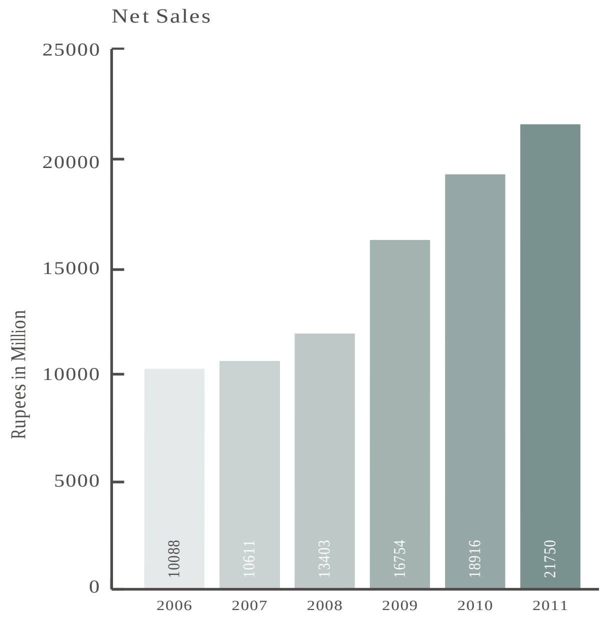
Overview of Economy & Market

Pakistan's economy remained under stress during the year due to various internal & external challenges. Domestic political turbulence including devolution which resulted in the abolition of the Health Ministry, energy shortages and the effects of the global recession negatively impacted the economy. The industry also continued to be adversely affected by further erosion of margins due to high inflationary pressures, the devaluation of rupee and an excessively restrictive pricing regime. Though the Government allowed some limited price increases on certain products during the year, the impact was marginal and not in line with the overall cost increases borne by companies in the industry. Although several internal initiatives have helped the company reduce the impact of increasing costs, the need for a price adjustment to off-set inflation and a balanced and less restrictive pricing policy is now urgently needed to avoid a crisis in this industry.

On the positive site, the year 2011 saw a number of significant milestone achievements. Sales of your company surpassed the Rs 20 billion mark during the year and your Company continued to retain its position as the leading pharmaceutical company in Pakistan in terms of value, prescription and volume share. This year also saw Augmentin becoming the first pharmaceutical brand in the country to cross the Rs 3 billion mark in terms of sales. Out of top 20 leading products in the Pharmaceutical industry, 8 are manufactured and sold by your Company, which is a singular achievement.

Business Review

Your company continued to achieve good sales growth during the year and despite challenging marketing conditions outlined earlier, the sales growth trend over the years was successfully maintained. Underlying Pharma sales growth was recorded at 13%. Within the Pharmaceutical business, the Antibiotics, Cardiovascular, CNS portfolio, Dermatology, Gastro-Intestinal, Haematinics and Oncology segments achieved robust double digit growth. The momentum of legacy brands was also maintained alongside the smooth and successful launch of new brands and new SKUs.



The Consumer Healthcare Business continued to progress with strong sales growth of 33%, achieving overall sales of Rs 2.4 billion for the year. Panadol, Sensodyne, Horlicks and Aquafresh remained the main growth contributors. The Sensodyne & Horlicks ranges saw new line introductions and launches during the year which should deliver strong growth in the future.

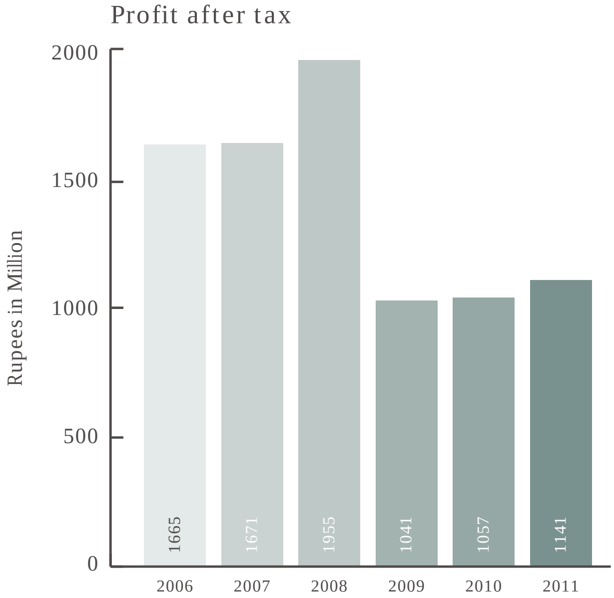
Export sales also achieved double digit growth during the year with sales of Rs 727 million represented by major export markets such as Afghanistan and Srilanka.

Gross margins for this year at 27% improved marginally from last year due to an improved product mix. Margins have been adversely challenged and affected due to the long-standing price freeze on majority of the products since 2001, increases in costs of raw and packaging materials both locally and internationally, the continuous depreciation in rupee exchange rate and a significant escalation in fuel, power and utilities costs.

Selling, marketing and distribution expenses at Rs 2.8 billion increased by 21%. This increase mainly reflected investment in developing our consumer brands to ensure this segment of our business grows to its potential, coupled with overall inflation and increased freight costs due to rising sales volume. Administrative expenses for the year increased from last year due to the one off cost of severances paid to outgoing employees at a closing site due to transfer of operations to other factories. Excluding restructuring costs, administrative expenses remained at the same level due to the benefits of the integrations over the last two years.

Other operating income for the year increased by Rs 64 million showing a growth of 16% over last year. The higher income was made possible through the efficient management of your Company's funds and better returns on short-term investments / bank deposits, coupled with gains on disposal of operating assets.

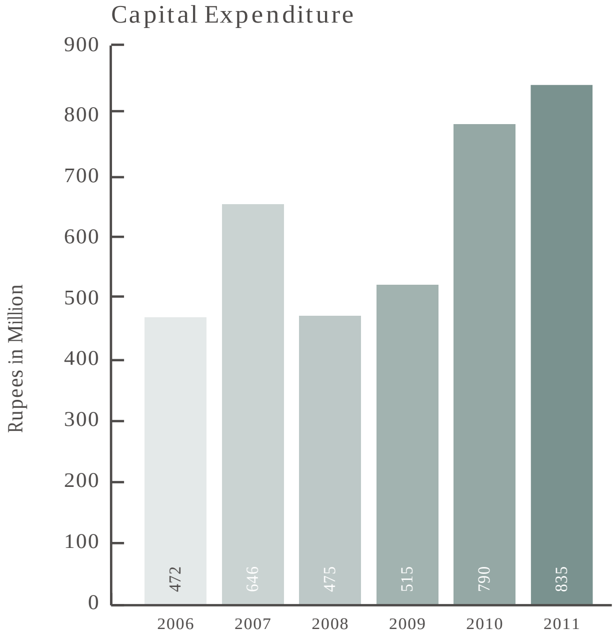
Net profit after tax for the year was Rs. 1.14 billion compared to Rs. 1.06 billion in 2010.



Cash Flows & Capital Expenditure

Cash flows from operations decreased this year primarily due to integration activities and stock build up required to support product transfers between manufacturing sites as well as dividend payouts and higher effective tax rates. Capital expenditure during this year at Rs 835 million (2010: Rs. 790 million) was mainly spent on plant up-gradations and integrations, capacity expansion, warehousing and purchase of vehicles. Surplus funds as at December 31, 2011 stood at Rs 2.3 billion, decreasing by Rs 1.2 billion from the previous year.

The company invests its surplus funds aiming to maintain a risk averse optimum interest yielding portfolio. Effective liquidity management is in place through prudent cash management strategies and active investment management in bank deposits, treasury bills and PIBs. Liquidity risk is managed by maintaining sufficient cash and balances with banks in deposit accounts and short term investments. The Company maintains strong relationships with its banks and constantly evaluates cash management and trade solutions to improve its investment and banking operations.



Dividends

Maintaining a history of providing good returns and payouts to its shareholders, the Board of Directors of your company, in its meeting held on March 08, 2012, proposed a cash dividend of Rs. 4.0 (2010: Rs. 4.0) per share and also issue of 10 bonus shares for every 100 shares held (2010: 15 bonus shares for every 100 shares held).

Future outlook and Challenges

Your company has made good progress in achieving sales growth over the years by not only challenging the operating environment to grow our existing portfolio of products but also by launching new innovative research based products. The company's objective of ensuring sustained availability of these new and existing products enables the community access to valuable and cost effective treatment options. A number of new and innovative research based pharmaceutical products are under registration and launch.

In the Consumer Health Care Business, the company plans to invest further in developing our leading and competitive brands to ensure that the business segment grows to potential.

The pharmaceutical industry is operating in an environment where all major input costs are now subject to inflationary trends and are now being seriously impacted by the consistent devaluation of the currency and in particular higher energy and employment costs. The industry is not able to continually absorb all these costs. As is being consistently highlighted by the Company at various forums, the absence and delay in announcing a general price increase now poses a risk on the sustainability of many products. We request the Government to take immediate steps to approve the pricing policy and allow a price increase across the board to urgently support this industry and ensure the availability of numerous drugs which are at risk.

The recent setup of a national Drug Regulatory Agency is a step that your Company, together with the industry, feels is a much needed move in the right direction. The urgent need now is for the Agency to play its part in streamlining the registration and pricing process and focus efforts to improve quality standards.

The pharmaceutical industry in Pakistan has great potential for growth. However, its sustained success depends on a regulatory environment which is able to balance the need for affordable healthcare with the essential commercial interests of this research based industry.

Intellectual property

Intellectual property is a key business asset for our company and the effective legal protection of our intellectual property is critical in ensuring a reasonable return on investment in research and commercialization of new treatments.

Over the years Pakistan has made some progress in this regard, by updating its IPR laws to the levels required by global conventions but many gaps remain. At a practical level much more needs to be done to discourage both piracy and counterfeiting. Effective implementation will protect both consumers and the industry and also lead to a quality and research-oriented culture which is vital for the future progress of this industry.

Acknowledgment

This is a resilient company because of a talented, passionate and committed team that is committed to do more, outperform our competition and achieve good results despite the many challenges in the operating environment.

On behalf of the Board; I would like to express my gratitude to all team members, our valued customers and our shareholders for their continuous support and look forward to delivering results for all our stakeholders in the future.

M. Salman Burney
Chairman / Chief Executive

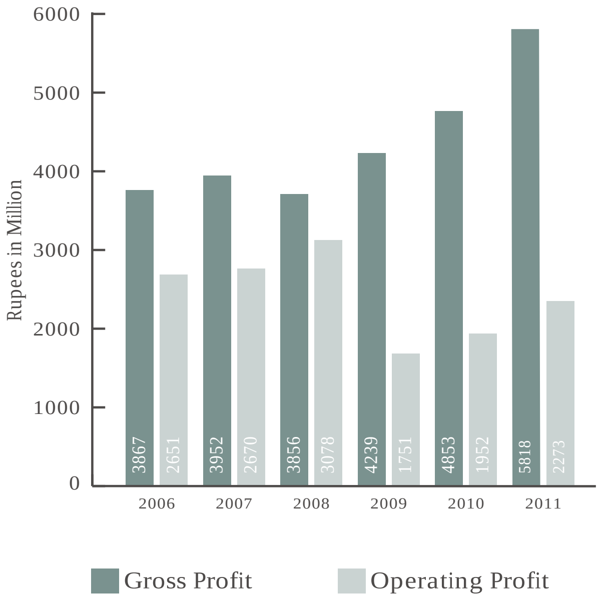
Karachi
March 08, 2012

Financial Performance at a Glance

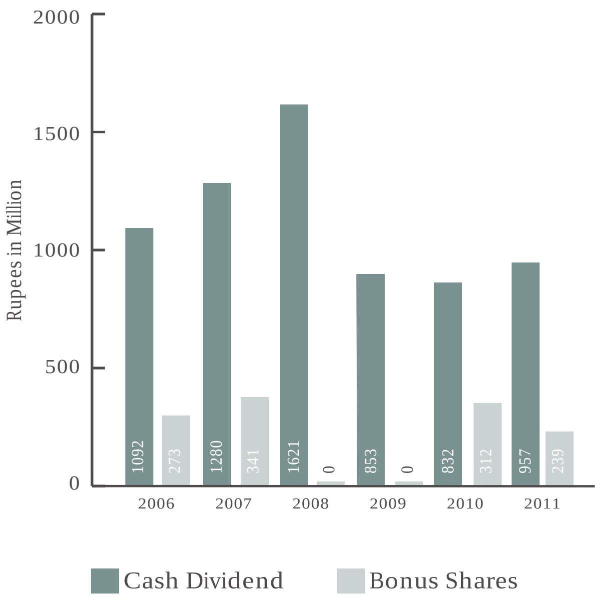
	2011	2010
	Rupees in million	
Net Sales	21,750	18,916
Gross Profit	5,818	4,853
Operating Profit	2,273	1,952
Profit before Taxation	2,237	1,931
Taxation	1,096	874
Profit after Taxation	1,141	1,057
Dividend - cash*	957.1	832.2
- per share - Rs.	4.0	4.0
Issue of bonus shares*	239.3	312.1
Paid-up Capital	2,392.7	1,964.1

* Represents final cash dividend @ Rs 4.0 per share and also issue of bonus shares @ 10% proposed by the Board of Directors subsequent to the year end.

Gross and Operating Profit



Payout to Shareholders

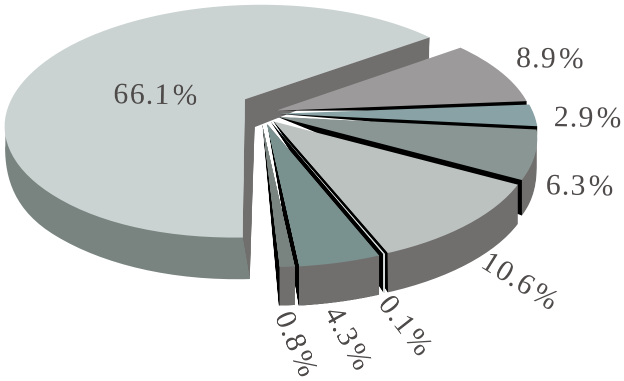


Statement of Value Added

The Statement below shows the amount of revenue generated by the Company during the year and the way this revenue has been distributed.

	2011		2010	
	Rs. '000	%	Rs. '000	%
Revenue Generated				
Total revenue	22,337,669	100.0	19,381,633	100.0
Revenue Distributed				
Bought-in -materials and Services	14,763,699	66.1	13,030,513	67.2
Selling, Marketing and Distribution Expenses	1,982,381	8.9	1,533,503	7.9
Administrative Expenses and Financial Charges	647,212	2.9	471,097	2.4
Income tax	1,095,972	4.9	874,341	4.5
Worker's funds and Central Research Fund	194,066	0.8	171,143	0.9
Sales tax	125,595	0.6	67,746	0.3
To Government	1,415,633	6.3	1,113,230	5.7
Salaries,Wages and other benefits	2,372,683	10.6	2,150,226	11.1
To Employees	2,372,683	10.6	2,150,226	11.1
Donations	15,145	0.1	25,681	0.1
To Society	15,145	0.1	25,681	0.1
Cash dividend*	957,077	4.3	832,240	4.3
To Shareholders	957,077	4.3	832,240	4.3
Retained in the Business	183,839	0.8	225,143	1.3
	22,337,669	100.0	19,381,633	100.0

* Represents final cash dividend @ Rs 4 per share proposed by the Board of Directors subsequent to the year end.

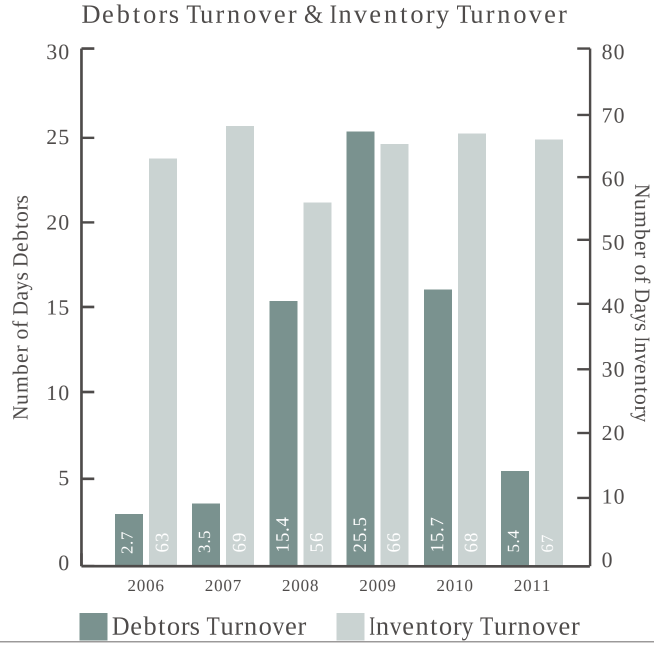


Revenue and its Disposal

Bought-in-materials & Services	66.1%
Selling Marketing and Distribution Expenses	8.9%
Administrative Expenses and Financial Charges	2.9%
Government	6.3%
Employees	10.6%
Society	0.1%
Shareholders	4.3%
Retained in the Business	0.8%

Key Operating and Financial Data

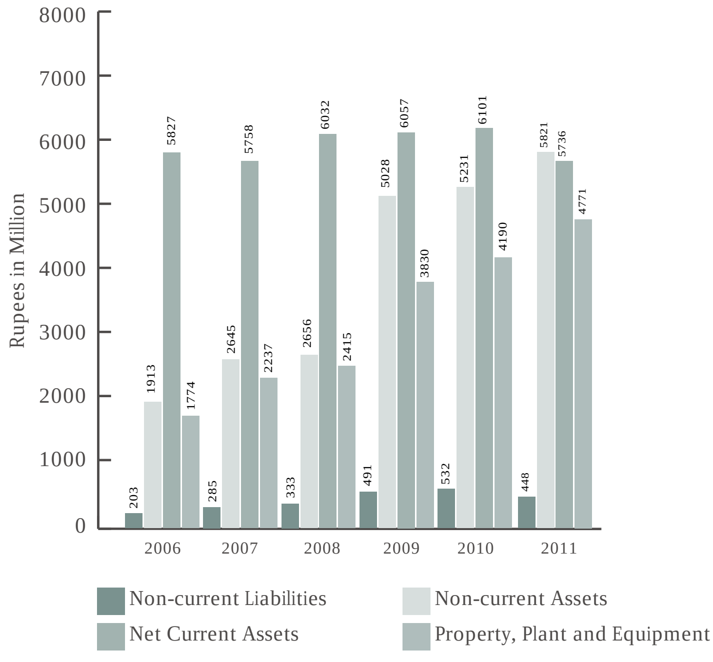
	2006	2007	2008	2009	2010	2011
	Rupees in million					
Assets employed						
Fixed assets - property, plant and equipment	1,774	2,237	2,415	3,830	4,190	4,771
Goodwill	-	-	-	956	956	956
Investments	96	347	172	169	-	-
Long-term loans and deposits	43	61	69	73	85	94
Net current assets	5,827	5,758	6,032	6,057	6,101	5,736
	7,740	8,403	8,688	11,085	11,332	11,557
Less: Non-current liabilities						
Staff retirement benefits - Staff gratuity	66	23	21	73	115	20
Deferred taxation	137	262	312	418	417	428
	203	285	333	491	532	448
Net assets employed	7,537	8,118	8,355	10,594	10,800	11,109
Financed by						
Issued, subscribed and paid-up capital	1,365	1,707	1,707	1,707	1,964	2,393
Reserves	6,172	6,411	6,648	8,887	8,836	8,716
Shareholders' Equity	7,537	8,118	8,355	10,594	10,800	11,109
Turnover and profit						
Net sales	10,088	10,611	13,403	16,754	18,916	21,750
Gross profit	3,867	3,952	3,856	4,239	4,853	5,818
Operating profit	2,651	2,670	3,078	1,751	1,952	2,273
Profit before taxation	2,632	2,659	3,001	1,706	1,932	2,237
Taxation	967	988	1,046	665	874	1,096
Profit after taxation	1,665	1,671	1,955	1,041	1,058	1,141
EBITDA	2,804	2,842	3,309	2,061	2,324	2,599
Cash Dividend including bonus shares*	1,365	1,621	1,621	853	1,144	1,196
Sales per employee (Rs. in '000)	5,549	5,850	7,659	9,585	9,388	10,853



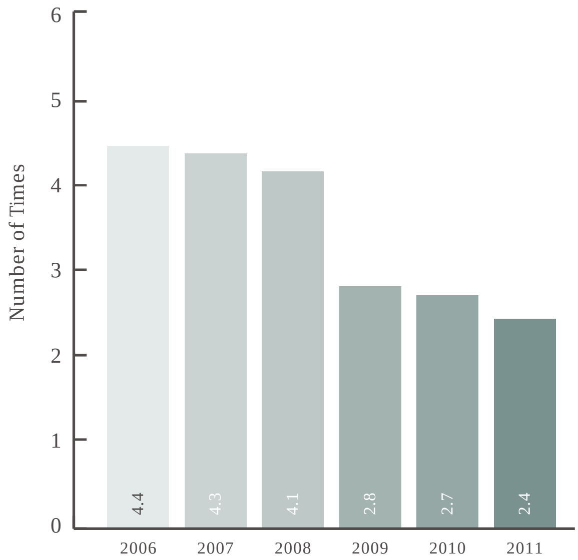
		2006	2007	2008	2009	2010	2011
				Rupees in million			
Cashflows							
Operating Activities		1,765	1,497	(402)	1,348	2,433	127
Investing Activities		(220)	(824)	572	(262)	(739)	(558)
Financing Activities		(869)	(1,086)	(1,698)	(1,189)	(849)	(782)
Changes in Cash equivalents		676	(413)	(1,528)	(103)	845	(1,213)
Cash & Cash equivalents - Year end		4,666	4,253	2,725	2,693	3,538	2,326
Ratios							
Earnings per share	Rs.	9.8	9.8	11.5	5.2	4.4	4.8
Cash dividend per share*	Rs.	8.0	7.5	9.5	5.0	4.0	4.0
Bonus shares*	%	25	25	-	-	15	10
Price earning ratio	Times	16.2	19.6	6.6	20.9	20.0	14.1
Market value per share - year end	Rs.	157.9	192.4	75.9	109.3	88.2	67.1
Market value per share - high	Rs.	215.8	210.0	200.0	143.8	89.5	68.0
Market value per share - low	Rs.	148.0	151.1	75.9	75.0	86.3	67.0
Break-up value per share	Rs.	55.2	47.6	48.9	50.9	51.9	46.4
Break-up value per share-with surplus on revaluation	Rs.	55.2	47.6	48.9	50.9	51.9	46.4
Market price to Book value with surplus	Times	2.9	4.0	1.6	2.1	1.7	1.4
Market capitalization	Rs.in million	21,559	32,837	12,961	18,649	17,321	16,050
Dividend payout	%	82.0	97.0	83.0	91.3	108.1	104.8
Dividend yield	%	6.6	5.2	12.5	4.6	6.2	7.5
Dividend cover ratio	Times	1.2	1.0	1.2	1.1	0.9	1.0
Return on equity	%	22.1	20.6	23.4	9.8	9.8	10.3
Total assets turnover	Times	1.1	1.0	1.3	1.2	1.3	1.4
Fixed assets turnover	Times	5.7	4.7	5.5	4.4	4.5	4.6
Debtors turnover	Days	2.7	3.5	15.4	25.5	15.7	5.4
Creditors turnover	Days	25	25	17	33	34	30
Inventory turnover	Days	63	69	56	66	68	67
Current ratio		4.4	4.3	4.1	2.8	2.7	2.4
Acid test ratio		3.1	3.0	2.3	1.5	1.5	1.0
Gross profit	%	38.3	37.2	28.8	25.3	25.7	26.8
EBITDA Margin to Sales	%	27.8	26.8	24.7	12.3	12.3	12.0
Net profit	%	16.5	15.7	14.6	6.2	5.6	5.2

* Represents final cash dividend @ Rs 4.0 per share and also issue of bonus shares @ 10% proposed by the Board of Directors subsequent to the year end.

Assets & Liabilities



Current Ratio



Vertical Analysis

Balance Sheet Analysis (%)

	2006	2007	2008	2009	2010	2011
Share Capital and Reserves	79.8	79.9	78.6	73.4	72.5	72.0
Non Current Liabilities	2.1	2.8	3.1	3.4	3.6	2.9
Current Liabilities	18.1	17.3	18.3	23.2	23.9	25.1
Total Equity and Liabilities	100.0	100.0	100.0	100.0	100.0	100.0
Non Current Assets	20.3	26.0	25.0	34.8	35.1	37.7
Current Assets	79.7	74.0	75.0	65.2	64.9	62.3
Total Assets	100.0	100.0	100.0	100.0	100.0	100.0

Profit and Loss Account Analysis (%)

Net sales	100.0	100.0	100.0	100.0	100.0	100.0
Cost of sales	61.7	62.8	71.2	74.7	74.3	73.2
Gross profit	38.3	37.2	28.8	25.3	25.7	26.8
Selling, marketing and distribution expenses	10.4	11.4	9.9	11.6	12.2	12.8
Administrative expenses	4.3	4.6	3.9	5.1	4.4	4.7
Other operating expenses	2.2	2.1	1.6	0.9	0.9	0.9
Other operating income	4.9	6.0	9.6	2.8	2.1	2.1
Operating profit	26.3	25.1	23.0	10.5	10.3	10.5
Financial charges	0.2	0.1	0.6	0.3	0.1	0.2
Profit before taxation	26.1	25.0	22.4	10.2	10.2	10.3
Taxation	9.6	9.3	7.8	4.0	4.6	5.0
Profit after taxation	16.5	15.7	14.6	6.2	5.6	5.3

Horizontal Analysis

Balance Sheet Analysis (%)

	Change from preceding year					
	2006	2007	2008	2009	2010	2011
Share Capital and Reserves	11.9	7.7	2.9	26.8	1.9	2.9
Non Current Liabilities	(20.7)	40.4	16.8	47.4	8.4	(15.7)
Current Liabilities	33.8	3.5	10.0	72.7	6.4	9.0
Total Equity and Liabilities	14.2	7.6	4.5	35.8	3.2	3.7
Non Current Assets	9.8	38.3	0.4	89.3	4.0	11.3
Current Assets	15.4	(0.1)	6.0	18.0	2.7	(0.5)
Total Assets	14.2	7.6	4.5	35.8	3.2	3.7

Profit and Loss Account Analysis (%)

	Change from preceding year					
Net sales	7.1	5.2	26.3	25.0	12.9	15.0
Cost of sales	11.7	7.0	43.4	31.1	12.4	13.3
Gross profit	0.5	2.2	(2.4)	10.0	14.5	19.9
Selling, marketing and distribution expenses	16.7	15.0	9.7	46.7	18.1	21.2
Administrative expenses	20.7	11.4	6.8	63.7	(2.9)	23.8
Other operating expenses	(1.3)	0.9	(7.1)	(26.9)	12.5	13.4
Other operating income	41.7	28.8	100.3	(63.8)	(14.2)	16.2
Operating profit	(2.1)	0.7	15.3	(43.1)	11.5	16.5
Financial charges	46.2	(36.8)	541.7	(41.6)	(55.6)	82.4
Profit before taxation	(2.3)	1.0	12.9	(43.2)	13.2	15.8
Taxation	9.8	2.2	5.9	(36.4)	31.4	25.3
Profit after taxation	(8.2)	0.4	17.0	(46.8)	1.6	7.9

GlaxoSmithKline

Financial Statements 2011


hieve Dream Prevail Reach Complete Inspire
More Feel Better Live Longer Do More

Statement of Compliance with the Code of Corporate Governance for the year ended December 31, 2011

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance. The Company has applied the principles contained in the Code as follows:

1. The Company encourages representation of independent non-executive directors and representation of minority interests on its Board of Directors. At present the Board includes three non-executive directors one of whom represents minority shareholders' interests.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies including this company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or a NBFI or, being a member of Stock Exchange, has been declared as a defaulter by that Stock Exchange.

4. The Company has a vision/mission statement and overall corporate strategy. All policies of the Company are governed by the "Corporate Governance Charter" which has been approved by the Board.

5. The Company has prepared a "Statement of Ethics and Business Practices" which has been signed by the directors and employees of the Company.

6. One casual vacancy occurred in the Board of Directors during the year ended December 31, 2011.

7. The powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of CEO and other executive directors have been taken by the Board, and significant matters are documented by a resolution passed by the Board.

8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with the agenda were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. There was a new appointment of CFO during the year and no new appointment of Company Secretary.

10. All the directors on the Board are fully conversant with their duties and responsibilities as directors of corporate bodies. The Board had previously arranged an orientation course of the Code of Corporate Governance for its directors to apprise them of their role and responsibilities. Further, the Booklet on Code of Corporate Governance as published by the Securities and Exchange Commission of Pakistan was circulated amongst the directors on the Board.

11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by the CEO and CFO before the approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Audit Committee has been in existence since May 2002. It comprises four members, of whom three are non-executive directors including the chairman of the committee.

16. The Board has outsourced the internal audit function to Ernst & Young Ford Rhodes Sidat Hyder who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company and they are involved in the internal audit function on a full time basis.

17. The meetings of the audit committee were held at least once in every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

18. The statutory auditors of the Company have confirmed that they have been given satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. The related party transactions have been placed before the audit committee and approved by the Board of Directors alongwith pricing methods. The transactions were carried out on terms equivalent to those that prevail in the arm's length transactions.

21. We confirm all other material principles contained in the Code have been complied with.

Karachi
March 08, 2012

M. Salman Burney
Chairman / Chief Executive

Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of GlaxoSmithKline Pakistan Limited to comply with the Listing Regulation No. 35 of the Karachi and Lahore Stock Exchanges where the company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the company personnel and review of various documents prepared by the company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal controls covers all controls and the effectiveness of such internal controls.

Further, Sub-Regulation (xiii a) of Listing Regulation 35 notified by Karachi and Lahore Stock Exchanges require the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended December 31, 2011.

A. F. Ferguson & Co.
Chartered Accountants

Karachi
March 13, 2012

Auditors' Report to the Members

We have audited the annexed balance sheet of GlaxoSmithKline Pakistan Limited as at December 31, 2011 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion:

 (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

 (ii) the expenditure incurred during the year was for the purpose of the company's business; and

 (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at December 31, 2011 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) In our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of the Ordinance.

A. F. Ferguson & Co.
Chartered Accountants
Karachi

Dated: March 13, 2012

Name of Engagement Partner: Syed Fahim ul Hasan

Balance Sheet
as at December 31, 2011

	Note	2011	2010
		Rupees '000	
SHARE CAPITAL AND RESERVES			
Share capital	3	2,392,691	1,964,118
Reserves	4	8,715,881	8,835,696
		11,108,572	10,799,814
NON-CURRENT LIABILITIES			
Staff retirement benefits	5	19,706	115,240
Deferred taxation	6	428,296	416,452
		448,002	531,692
CURRENT LIABILITIES			
Trade and other payables	7	3,663,772	3,429,292
Provisions	8	217,239	131,001
		3,881,011	3,560,293
		4,329,013	4,091,985
CONTINGENCIES AND COMMITMENTS	9		
		15,437,585	14,891,799

M. Salman Burney
Chairman / Chief Executive

Yahya Zakaria
Chief Financial Officer

	Note	2011	2010
		Rupees '000	
NON-CURRENT ASSETS			
Fixed assets - property, plant and equipment	10	4,771,175	4,189,996
Intangible	11	955,742	955,742
Long-term loans to employees	12	82,005	73,590
Long-term deposits		11,780	11,871
		5,820,702	5,231,199
CURRENT ASSETS			
Stores and spares	13	159,268	150,632
Stock-in-trade	14	5,602,526	4,312,535
Trade debts	15	343,404	295,762
Loans and advances	16	163,378	144,267
Trade deposits and prepayments	17	54,657	96,234
Interest accrued		30,372	19,443
Refunds due from government	18	17,104	17,534
Other receivables	19	319,800	290,056
Taxation - payments less provision		600,742	623,410
Investments	20	196,706	901,955
Cash and bank balances	21	2,128,926	2,808,772
		9,616,883	9,660,600
		15,437,585	14,891,799

The annexed notes 1 to 41 form an integral part of these financial statements.

M. Salman Burney
Chairman / Chief Executive

Yahya
Yahya Zakaria
Chief Financial Officer

Profit and Loss Account
For the year ended December 31, 2011

	Note	2011	2010
		Rupees '000	
Net sales	22	21,750,147	18,916,191
Cost of sales	23	(15,931,728)	(14,063,242)
Gross profit		5,818,419	4,852,949
Selling, marketing and distribution expenses	24	(2,790,373)	(2,301,516)
Administrative expenses	25	(1,022,493)	(826,236)
Other operating expenses	26	(194,066)	(171,143)
Other operating income	27	461,927	397,696
Operating profit		2,273,414	1,951,750
Financial charges	28	(36,526)	(20,026)
Profit before taxation		2,236,888	1,931,724
Taxation	29	(1,095,972)	(874,341)
Profit after taxation		1,140,916	1,057,383
Other comprehensive income			
Fair value gain on available-for-sale investments		-	3,544
Reversal of deficit on revaluation of available-for-sale investments		128	-
Deferred tax thereon		(45)	(1,240)
		83	2,304
Total comprehensive income		1,140,999	1,059,687
Earnings per share	30	Rs.4.77	Rs. 4.42

The annexed notes 1 to 41 form an integral part of these financial statements.

M. Salman Burney
Chairman / Chief Executive

Yahya Zakaria
Chief Financial Officer

Cash Flow Statement
For the year ended December 31, 2011

	Note	2011	2010
		Rupees '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	31	1,402,378	3,647,883
Financial charges paid		-	(2,369)
Staff retirement benefits paid		(205,481)	(53,016)
Taxes paid		(1,061,460)	(1,147,359)
Increase in long-term loans to employees		(8,415)	(12,291)
Decrease in long-term deposits		91	476
Net cash generated from operating activities		127,113	2,433,324
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(834,597)	(789,884)
Proceeds from sale of operating assets		93,840	34,278
Investments encashed		175,000	-
Return on investments - PIBs		7,945	16,275
Net cash used in investing activities		(557,812)	(739,331)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(782,165)	(849,019)
Net (decrease) / increase in cash and cash equivalents		(1,212,864)	844,974
Cash and cash equivalents at beginning of the year		3,538,496	2,693,522
Cash and cash equivalents at end of the year	32	2,325,632	3,538,496

The annexed notes 1 to 41 form an integral part of these financial statements.

M. Salman Burney
Chairman / Chief Executive

Yahya Zakaria
Chief Financial Officer

Statement of Changes in Equity
For the year ended December 31, 2011

	Share capital	CAPITAL RESERVES: Share premium	CAPITAL RESERVES: Reserve arising on amalgamation	CAPITAL RESERVES: Issue of shares	CAPITAL RESERVES: Issue of bonus shares	Fair value reserve	General reserve	Unappropriated profit	Total
	Rupees '000								
Balance at January 1, 2010	1,706,718	1,409	2,491,076	373,883	-	(2,387)	3,999,970	2,022,817	10,593,486
Final dividend for the year ended December 31, 2009 @ Rs. 5 per share	-	-	-	-	-	-	-	(853,359)	(853,359)
Issuance of 25,740,000 ordinary shares to the qualifying shareholders of former GlaxoSmithKline Pharmaceuticals (Private) Limited	257,400	-	-	(257,400)	-	-	-	-	-
Profit after taxation for the year ended December 31, 2010	-	-	-	-	-	-	-	1,057,383	1,057,383
Profit of former Stiefel Laboratories Pakistan (Private) Limited for the period prior to effective date of legal amalgamation transferred to capital reserve	-	-	3,843	-	-	-	-	(3,843)	-
Fair value gain on available-for-sale investments	-	-	-	-	-	2,304	-	-	2,304
Total comprehensive income for the year ended December 31, 2010	-	-	3,843	-	-	2,304	-	1,053,540	1,059,687
Balance at December 31, 2010	1,964,118	1,409	2,494,919	116,483	-	(83)	3,999,970	2,222,998	10,799,814
Final dividend for the year ended December 31, 2010 @ Rs. 4 per share	-	-	-	-	-	-	-	(832,241)	(832,241)
Transferred to reserve for issue of bonus shares	-	(1,409)	(310,681)	-	312,090	-	-	-	-
Issuance of 11,648,312 ordinary shares to the qualifying shareholders of former Stiefel Laboratories Pakistan (Private) Limited	116,483	-	-	(116,483)	-	-	-	-	-
Bonus shares issued during the period in the ratio of 15 shares for every 100 shares held	312,090	-	-	-	(312,090)	-	-	-	-
Profit after taxation for the year ended December 31, 2011	-	-	-	-	-	-	-	1,140,916	1,140,916
Reversal of deficit on revaluation of available-for-sale investments	-	-	-	-	-	83	-	-	83
Total comprehensive income for the year ended December 31, 2011	-	-	-	-	-	83	-	1,140,916	1,140,999
Balance at December 31, 2011	2,392,691	-	2,184,238	-	-	-	3,999,970	2,531,673	11,108,572

The annexed notes 1 to 41 form an integral part of these financial statements.

M. Salman Burney
Chairman / Chief Executive

Yahya Zakaria
Chief Financial Officer

Notes to and Forming Part of the Financial Statements For the year ended December 31, 2011

1. THE COMPANY AND ITS OPERATIONS

The company is incorporated in Pakistan as a limited liability company and is listed on the Karachi and Lahore Stock Exchanges. It is engaged in manufacturing and marketing of research based ethical specialties, other pharmaceutical, animal health and consumer products.

The company is a subsidiary of S.R. One International B.V., Netherlands, whereas its ultimate parent company is GlaxoSmithKline plc, UK.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

2.1 Basis of preparation

Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with the IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The matters involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant which have been disclosed in the relevant notes to the financial statements are:

i) Provision for retirement benefits
ii) Impairment of non-current assets
iii) Provision for obsolete and slow moving stock
iv) Provision for doubtful receivables
v) Taxation

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

There have been no critical judgments made by the company's management in applying the accounting policies that would have effect on the amounts recognised in the financial statements.

2.2 Standards, interpretations and amendments to published approved accounting standards that are considered relevant, but not yet effective

IAS 19 (Amendment) - 'Employee benefits' is applicable for the accounting periods beginning on or after 1 January 2013. It eliminates the corridor approach and recognises all actuarial gains and losses in other comprehensive income as they occur, immediately recognises all past service costs and replaces interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / asset.

There are certain other new and amended standards and interpretations that have been published and are mandatory for accounting periods beginning on or after January 1, 2012 but are considered not to be relevant or will not have any significant effect on the company's operations and are, therefore, not detailed in these financial statements.

Notes to and Forming Part of the Financial Statements

2.3 Overall valuation policy

These financial statements have been prepared under the historical cost convention except as otherwise disclosed in the accounting policies below.

2.4 Staff retirement benefits

2.4.1 The company operates following defined benefit plans:

- Approved funded gratuity schemes for its permanent employees; and
- Approved funded pension scheme only for management employees of former GlaxoSmithKline Pharmaceuticals (Private) Limited.

Contributions to the gratuity and pension schemes are based on actuarial recommendations. The latest actuarial valuations of the schemes were carried out as at December 31, 2011 using the Projected Unit Credit Method.

Cumulative net unrecognised actuarial gains and losses at the beginning of the year which exceed 10% of the greater of the present value of the obligations and the fair value of respective fund's assets are amortised over the average remaining working life of the employees.

Retirement benefits are payable to employees on completion of prescribed qualifying period of service under the schemes.

2.4.2 The company also operates approved contributory provident funds for all its permanent employees.

2.5 Compensated absences

The company provides for compensated absences of its non-management employees on unavailed balance of leave in the period in which the leave is earned.

2.6 Taxation

2.6.1 Current

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any, and taxes paid under the final tax regime.

2.6.2 Deferred

Deferred tax is accounted for using the balance sheet liability method on all temporary differences arising between tax bases of assets and liabilities and their carrying amounts. Deferred tax liability is generally recognised for all taxable temporary differences and deferred tax asset is recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax is charged or credited in the profit and loss account except for deferred tax arising on revaluation of available for sale investments which is recognised in other comprehensive income.

2.7 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

2.8 Fixed assets - property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation / amortisation and accumulated impairment.

Depreciation is charged using the straight line method whereby the carrying value of an asset less estimated residual value, if not insignificant, is written off over its estimated remaining useful life. Depreciation / amortisation on assets is charged from the month of addition to the month of disposal. Cost of leasehold lands is amortised over the period of the lease.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired.

Gains and losses on disposal of fixed assets are included in income currently.

2.9 Impairment

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, assets or cash-generating units are tested for impairment. Cash-generating units to which goodwill is allocated are also tested for impairment annually. Where the carrying values of assets or cash-generating units exceed the estimated recoverable amount, these are written down to their recoverable amount and the resulting impairment is charged to profit and loss account.

Impairment is reversed only if there has been a change in estimates used to determine recoverable amounts and only to the extent that the revised recoverable amount does not exceed the carrying values that would have existed, had no impairments been recognised, except impairment of goodwill which is not reversed.

2.10 Goodwill

Goodwill represents excess of consideration transferred over the fair value of the interest acquired in the net assets of an entity. After initial recognition, it is carried at cost less accumulated impairment, if any.

Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other non financial assets of the unit. Impairment tests are based on risk-adjusted future cash flows discounted using appropriate discount rates. These future cash flows are based on business forecasts and are therefore inherently judgemental. Future events could cause the assumptions used in these impairment tests, as set out in note 11, 'Intangible', to change with a consequent adverse effect on the future results of the company.

2.11 Stores and spares

These are valued at lower of cost, determined using moving average method, and estimated recoverable amount. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon. Provision is made for items which are obsolete and slow moving.

2.12 Stock-in-trade

These are valued at the lower of cost and net realisable value except goods-in-transit which are stated at cost. Cost is determined using first-in first-out method.

Cost of raw and packing materials comprise of purchase price including directly related expenses less trade discounts. Cost of work-in-process and finished goods include cost of raw and packing materials, direct labour and related production overheads.

2.13 Trade debts

Trade debts are valued at the invoice value. Provision is made against debts considered doubtful of recovery. Bad debts are written off when considered irrecoverable.

Notes to and Forming Part of the Financial Statements

2.14 Investments

Available-for-sale

Securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in the interest rates, are classified as available-for-sale.

Available-for-sale investments are initially recognised at fair value plus transaction cost and subsequently recognised at fair value.

Gains and losses arising from changes in fair value are recognised in other comprehensive income.

Held-to-maturity

These are investments with fixed or determinable payments and fixed maturity with the company having positive intent and ability to hold to maturity. These are stated at amortised cost.

2.15 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise of cash and cheques in hand, balances with banks on current, savings and deposit accounts, short-term investments and short-term borrowings under running finance, maturing within three months of the balance sheet date.

2.16 Foreign currency translation

Foreign currency transactions are recorded into Pak Rupee using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currency are translated into Pak Rupee at the rates of exchange prevailing at the balance sheet date. Exchange gains and losses are included in income currently.

The financial statements are presented in Pak Rupees, which is the company's functional and presentation currency.

2.17 Revenue recognition

Sales are recorded on despatch of goods to customers and in case of export when the goods are shipped.

Returns on deposits and investments are recognised on accrual basis.

2.18 Financial assets and liabilities

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given or received respectively. These are subsequently measured at fair value, amortised cost or cost as the case may be.

2.19 Dividend

Dividend is recognised as a liability in the period in which it is approved.

2.20 Share based payments

Cash settled share based payments provided to employees are recorded as liability in the financial statements at fair value.

2.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments.

3. SHARE CAPITAL

			2011	2010
			Rupees '000	

Authorised share capital

2011	2010			
500,000,000	500,000,000	Ordinary shares of Rs. 10 each	5,000,000	5,000,000

Issued, subscribed and paid-up capital

Ordinary shares of Rs. 10 each 2011	2010			
5,386,825	5,386,825	Shares allotted for consideration paid in cash	53,868	53,868
64,339,835	52,691,523	Shares allotted for consideration other than cash	643,398	526,915
169,542,519	138,333,496	Shares allotted as bonus shares	1,695,425	1,383,335
239,269,179	196,411,844		2,392,691	1,964,118

3.1 As at December 31, 2011 S.R. One International B.V., Netherlands and its nominee held 184,207,825 shares (2010: 160,180,718 shares).

3.2 During the year the company issued 11,648,312 ordinary shares to the qualifying shareholders of former Stiefel Laboratories Pakistan (Private) Limited and bonus shares in the ratio of 15 shares for every 100 shares held.

4. RESERVES

	2011	2010
	Rupees '000	
Capital reserves		
Share premium	-	1,409
Reserve arising on amalgamation	2,184,238	2,494,919
Issue of shares	-	116,483
	2,184,238	2,612,811
Fair value reserve - note 4.1	-	(83)
General reserve	3,999,970	3,999,970
Unappropriated profit	2,531,673	2,222,998
	8,715,881	8,835,696

4.1 This represented deficit arising on revaluation of available-for-sale investments as follows:

	2011	2010
	Rupees '000	
Deficit on revaluation	-	(128)
Deferred tax thereon	-	45
	-	(83)

Notes to and Forming Part of the Financial Statements

	Gratuity funds		Pension fund	
	2011	2010	2011	2010
	Rupees '000		Rupees '000	
5. STAFF RETIREMENT BENEFITS				
5.1 Movement in liability / (asset)				
Opening balance	115,240	72,885	(18,855)	(13,467)
Charge / (reversal) for the year - note 5.5	109,947	95,371	(4,559)	(5,388)
Payments to the fund	(205,481)	(53,016)	-	-
Closing balance	19,706	115,240	(23,414)	(18,855)
5.2 Balance sheet reconciliation				
Present value of defined benefit obligation - note 5.3	1,057,028	940,478	83,544	67,850
Fair value of plan assets - note 5.4	(843,122)	(635,425)	(118,656)	(111,558)
	213,906	305,053	(35,112)	(43,708)
Unrecognised actuarial (loss) / gain	(194,200)	(189,813)	11,698	24,853
	19,706	115,240	(23,414)	(18,855)
5.3 Movement in the present value of defined benefit obligation during the year is as follows:				
Balance at January 1	940,478	883,550	67,850	58,593
Current service cost	57,881	55,976	2,570	2,343
Interest cost	136,836	109,927	9,827	8,203
Actuarial loss	1,698	19,796	8,020	1,246
Benefits paid	(79,865)	(128,771)	(4,723)	(2,535)
Balance at December 31	1,057,028	940,478	83,544	67,850
5.4 Movement in the fair value of plan assets during the year is as follows:				
Balance at January 1	635,425	641,827	111,558	100,610
Expected return on plan assets	94,104	81,486	15,978	14,085
Actuarial loss	(12,023)	(12,133)	(4,157)	(602)
Employer's contributions	205,481	53,016	-	-
Benefits paid	(79,865)	(128,771)	(4,723)	(2,535)
Balance at December 31	843,122	635,425	118,656	111,558
5.5 Charge / (reversal) for the year				
Current service cost	57,881	55,976	2,570	2,343
Interest cost	136,836	109,927	9,827	8,203
Expected return on plan assets	(94,104)	(81,486)	(15,978)	(14,085)
Recognition of actuarial loss / (gain)	9,334	10,954	(978)	(1,849)
	109,947	95,371	(4,559)	(5,388)
5.6 Actual return on plan assets	82,081	69,353	11,821	13,483

	Gratuity funds		Pension fund	
	2011	2010	2011	2010
5.7 Principal actuarial assumptions				
Expected return on plan assets (% per annum)	13.00	14.50	13.00	14.50
Expected rate of increase in salaries (% per annum)	13.00	14.50	13.00	14.50
Discount factor used (% per annum)	13.00	14.50	13.00	14.50
Retirement age (years)	60	60	60	60
Average remaining working life of employees (years)	9 - 12	10 - 13	13	14

Expected return on plan assets has been determined considering the expected risk adjusted returns available on the assets underlying the current investment policy.

	Gratuity funds		Pension fund	
	2011	2010	2011	2010
	%	%	%	%
5.8 Plan assets				
Plan assets are comprised of the following:				
- Equity and mutual funds	13.71	16.11	-	-
- Bonds	80.11	52.21	96.98	95.06
- Others	6.18	31.68	3.02	4.94
	100.00	100.00	100.00	100.00

5.9 For the year ending December 31, 2012 expected contribution to funded gratuity schemes is Rs. 64.59 million. No contribution is expected to be paid to funded pension scheme.

5.10 Comparison for five years

Gratuity funds

	2011	2010	2009	2008	2007
	Rupees '000				
Fair value of plan assets	843,122	635,425	641,827	446,759	529,756
Present value of defined benefit obligation	(1,057,028)	(940,478)	(883,550)	(641,237)	(574,654)
Deficit	(213,906)	(305,053)	(241,723)	(194,478)	(44,898)
Experience (loss) / gain on plan assets	(12,023)	(12,133)	5,380	128,538	(47,104)
Experience loss / (gain) on plan liabilities	1,698	19,796	(6,992)	23,432	25,082

Pension fund

	2011	2010	2009
Fair value of plan assets	118,656	111,558	100,610
Present value of defined benefit obligation	(83,544)	(67,850)	(58,593)
Surplus	35,112	43,708	42,017
Experience (loss) / gain on plan assets	(4,157)	(602)	(6,488)
Experience loss / (gain) on plan liabilities	8,020	1,246	4,812

Notes to and Forming Part of the Financial Statements

5.11 Information given in note 5 is primarily based on actuarial advice.

	2011	2010
	Rupees '000	
6. DEFERRED TAXATION		
Credit balance arising in respect of accelerated tax depreciation allowances	491,072	481,094
Debit balances arising in respect of:		
- Provision for retirement benefits	6,637	29,736
- Provision for doubtful debts and refunds due from goverment	22,232	14,579
- Provision for slow moving & obsolete stock and store & spares	33,907	20,282
- Loss on revalustion of available-for-sale investments	-	45
	62,776	64,642
	428,296	416,452
7. TRADE AND OTHER PAYABLES		
Creditors		
- Associated companies	944,927	932,909
- Others	278,098	297,963
Bills payable		
- Associated companies	36,986	41,242
- Others	18,283	33,086
Royalty and technical assistance fee payable		
- Associated company	291,138	247,136
- Others	84,901	79,346
Accrued liabilities - note 7.1	1,578,647	1,429,335
Advances from customers	128,837	185,682
Contractors' earnest / retention money	19,124	11,836
Taxes deducted at source and payable to statutory authorities	51,623	15,919
Workers' Profits Participation Fund - note 7.2	12,557	24,119
Workers' Welfare Fund	54,804	53,635
Central Research Fund	41,580	19,512
Unclaimed dividend	46,325	42,894
Dividend payable	46,645	-
Others	29,297	14,678
	3,663,772	3,429,292

7.1 This includes liability for share based compensation amounting to Rs. 75.12 million (2010: Rs. 53.45 million).

	2011	2010
	Rupees '000	
7.2 Workers' Profits Participation Fund		
Opening liability	24,119	10,102
Allocation for the year – note 26	121,588	105,150
	145,707	115,252
Interest on funds utilised in company's business – note 28	834	136
	146,541	115,388
Amount paid to the Fund	(133,984)	(91,269)
Closing liability	12,557	24,119
8. PROVISIONS		
Balance as at January 1	131,001	236,934
Charge for the year	386,835	257,218
Payments during the year	(300,597)	(363,151)
Balance as at December 31	217,239	131,001

8.1 Provisions include restructuring costs recognised due to planned restructuring of former GlaxoSmithKline Pharmaceuticals (Private) Limited and former Stiefel Laboratories Pakistan (Private) Limited, consequent to amalgamation with the company and also the closure of Lahore factory. The full amount is expected to be utilised in the coming year. The company is developing a strategy for utilisation and disposal of the Sundar Industrial Estate and Lahore factory manufacturing sites and facilities.

9. CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

	2011	2010
	Rupees '000	
(a) Claims against the company not acknowledged as debt	111,592	310,822

(b) Income Tax

(i) In prior years, while finalising the company's assessments for the years 1999-2000 through 2002-2003 (accounting years ended December 31, 1998 through 2001) the Assessing Officer (AO) had made additions to income raising tax demands of Rs. 73.6 million. Such additions were made on the contention that the company had allegedly paid excessive amount for importing certain raw materials. Upon company's appeal, the Commissioner of Inland Revenue (Appeals) (CIRA) had maintained the addition to income for assessment years 1999-2000 and 2000-2001 (accounting years ended December 31, 1998 and 1999) while the additions made in assessment years 2001-2002 and 2002-2003 (accounting years ended December 31, 2000 and 2001) were deleted. In respect of assessment years 1999-2000 and 2000-2001 the company, and in respect of assessment years 2001-2002 and 2002-2003, the department, filed respective appeals with the Income Tax Appellate Tribunal (ITAT). In 2008, all the above assessments were set aside by ITAT for fresh consideration by the AO. In 2010, AO passed assessment orders for the above years in which additions of same amount as described above were made.The company has filed appeals against the orders of AO with CIRA.

(ii) In prior years, while finalising the assessment of former Smith Kline & French of Pakistan Limited for the assessment year 2002-2003 (accounting year ended December 31, 2001), the Assessing Officer (AO) had made addition to income raising tax demands of Rs. 4.03 million. Such addition was made on the contention that the company had allegedly paid excessive amount for importing certain raw materials. Upon company's appeal, the CIRA had maintained the addition to income against which the company filed an appeal with the ITAT.

In 2008, the above assessment was set aside by ITAT for fresh consideration by the AO. In 2010, AO passed assessment order for the above year in which addition of same amount as described above was made. The company has filed appeal against the order of AO with CIRA.

(iii) In 2010, while amending the assessments of the company for the tax years 2005, 2006, 2007 and 2008 (accounting years ended December 31, 2004, 2005, 2006 and 2007) the Assessing Officer (AO) had made additions to income raising tax demands totalling Rs. 151.15 million. Such additions were made on the contention that the company had allegedly paid excessive amounts for importing certain raw materials and in respect of royalty. The company has filed appeals with CIRA in respect of above tax years.

(iv) In prior years, while finalising the assessments of former GlaxoSmithKline Pharmaceuticals (Private) Limited (GSKPPL) formerly Bristol-Myers Squibb Pakistan (Private) Limited for assessment years 1989-1990 through 2002-2003 (accounting years ended December 31, 1989 through 2002) the Assessing Officer (AO) made additions to income raising tax demands of Rs. 314.10 million on the contention that the company had allegedly paid excessive amounts for importing certain raw materials. CIRA also maintained the additions. On GSKPPL's appeals, the additions made by the AO were deleted by ITAT. Later, the department filed appeals against the decision of ITAT in the High Court of Sindh (the High Court).

Notes to and Forming Part of the Financial Statements

In October 2007, the High Court awarded its verdict for the assessment years 1989-1990 and 1990-1991 in favour of the tax department confirming tax demands of Rs. 11.99 million. However, the decisions in respect of the department's appeals for the assessment years 1991-1992 through 2002-2003 are still pending in the High Court for which the net aggregate tax liability, if such cases are decided against the company, will be Rs. 302.11 million.

The company had filed an appeal in the Supreme Court of Pakistan against the above decision of the High Court in respect of assessment years 1989-1990 and 1990-1991 and a leave to appeal had been granted to the company. The company through its legal counsel had also filed review petition before the High Court in this regard.

The management is confident that the ultimate decisions in the above cases will be in favour of the company, hence provision has not been made in respect of the aforementioned additional tax demands.

9.2 Commitments

Commitments for capital expenditure outstanding as at December 31, 2011 amounted to Rs. 924.70 million (2010: Rs. 607.81 million).

	Note	2011	2010
		Rupees '000	
10. FIXED ASSETS - property, plant and equipment			
Operating assets	10.1	3,503,311	3,367,436
Capital work-in-progress	10.3	1,267,864	822,560
		4,771,175	4,189,996

10.1 Operating assets

	Lands: Freehold	Lands: Leasehold	Buildings: On freehold land	Buildings: On leasehold land	Plant & machinery	Furniture & fixtures	Vehicles	Office Equiptment	TOTAL
	Rupees '000								
Net carrying value basis									
Year ended December 31, 2011									
Opening net book value (NBV)	174	369,403	16,319	886,458	1,543,278	102,214	269,951	179,639	3,367,436
Additions (at cost)	-	-	-	35,072	363,855	7,832	130,877	40,049	577,685
Disposals (at NBV)	-	-	-	-	(212)	-	(48,117)	-	(48,329)
Depreciation charge	-	(5,348)	(785)	(27,451)	(194,214)	(11,889)	(71,038)	(50,448)	(361,173)
Impairment (charge) / reversal	-	-	(12,854)	5,729	(31,195)	7,027	(9)	(1,006)	(45,064)
									12,756
Closing net book value	174	364,055	2,680	899,808	1,681,512	105,184	281,664	168,234	3,503,311
Gross carrying value basis									
At December 31, 2011									
Cost	174	385,452	66,599	1,181,585	3,172,343	190,218	439,863	632,159	6,068,393
Accumulated depreciation	-	(21,397)	(32,003)	(260,925)	(1,418,377)	(84,090)	(158,190)	(462,052)	(2,437,034)
Impairment Loss	-	-	(31,916)	(20,852)	(72,454)	(944)	(9)	(1,873)	(128,048)
Net book value	174	364,055	2,680	899,808	1,681,512	105,184	281,664	168,234	3,503,311
Net carrying value basis									
Year ended December 31, 2010									
Opening net book value (NBV)	174	376,169	19,442	878,715	1,627,035	82,048	243,479	180,248	3,407,310
Additions (at cost)	-	-	105	32,983	139,148	31,002	126,779	59,585	389,602
Disposals (at NBV)	-	-	-	(6)	(9,219)	(200)	(31,118)	(339)	(40,882)
Depreciation charge	-	(6,766)	(835)	(25,234)	(200,254)	(10,519)	(69,189)	(59,037)	(371,834)
Impairment (charge) / reversal	-	-	(2,393)	-	(14,925)	(173)	-	(818)	(18,309)
					1,493	56			1,549
Closing net book value	174	369,403	16,319	886,458	1,543,278	102,214	269,951	179,639	3,367,436
Gross carrying value basis									
At December 31, 2010									
Cost	174	385,452	66,599	1,146,513	2,811,132	182,386	436,340	592,215	5,620,811
Accumulated depreciation	-	(16,049)	(31,218)	(233,474)	(1,226,595)	(72,201)	(166,389)	(411,709)	(2,157,635)
Impairment Loss	-	-	(19,062)	(26,581)	(41,259)	(7,971)	-	(867)	(95,740)
Net book value	174	369,403	16,319	886,458	1,543,278	102,214	269,951	179,639	3,367,436
Depreciation rate % per annum	-	2.5 to 10	2.5	2.5	5 to 10	10	25	10 to 33.33	

10.1.1 Leasehold land includes land at Sundar Industrial Estate, Lahore, with a net book value of Rs. 18.45 million (2010: Rs. 18.45 million) on provisional allotment from Punjab Industrial Estates Development and Management Company.

10.1.2 Operating assets include assets having cost of Rs. 16.53 million and net book value of NIL held with Roomi Enterprises (Private) Limited.

10.2 Details of operating assets sold

Details of operating assets sold, having net book value in excess of Rs. 50,000 each are as follows:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	Rupees ' 000					
Vehicles	5,812	3,312	2,500	3,600	Company Policy	Mr. Anis Shah, Ex-Executive
"	4,725	2,436	2,289	2,700	"	Mr. Javed Ahmedjee, Ex-Director
"	4,500	2,672	1,828	2,250	"	Mr. Muied Ahmed, Ex-Executive
"	1,849	491	1,358	1,109	"	Mr. Zafarullah Khan, Ex-Executive
"	1,450	249	1,201	-	"	Mr. Tasneem ur Rehman (late), Ex-Executive
"	1,426	290	1,136	1,350	"	Dr. Farhan Qureshi, Ex-Executive
"	1,429	549	880	1,285	"	Mr. Muhammad Khalid, Ex-Executive
"	1,066	316	750	320	"	Mr. Wajid Ali, Ex-Executive
"	999	250	749	879	"	Ms. Maria Bukhari, Executive
"	1,039	292	747	905	"	Ms. Amal Iqbal, Ex-Employee
"	1,043	318	725	950	"	Mr. Umer Farooq Hashmi, Executive
"	1,043	318	725	272	"	Mr. Afzal Siddiqui, Executive
"	1,043	318	725	282	"	Ms. Ruby Shaikh, Executive
"	1,389	716	673	1,193	"	Dr. Tariq Farooq, Executive
"	1,389	716	673	1,179	"	Syed Ahmed Nadeem, Executive
"	1,389	716	673	1,035	"	Mr. Rizwan Ahmed Khokhar, Executive
"	830	182	648	736	"	Dr. Ali Masood, Executive
"	815	216	599	750	"	Dr. Farhan Qureshi,Ex-Executive
"	1,580	1,001	579	380	"	Mr. Shamshad Anis Hashmi, Ex-Employee
"	886	336	550	288	"	Mr. Najam ur Rehman, Executive
"	1,319	783	536	791	"	Mr. Muhammad Hanif, Executive
"	1,127	601	526	360	"	Mr. Umair Butt, Ex-Executive
"	1,526	1,001	525	916	"	Mr. Yahya Zakaria, Director
"	815	331	484	666	"	Mr. Zain Ismail, Executive
"	647	192	455	388	"	Mr. Rana M Saeed, Ex-Employee
"	1,309	982	327	327	"	Ms. Iffat Yazdani, Executive
"	496	196	300	400	"	Mr. Anwer Hassan, Ex-Employee
"	491	191	300	320	"	Mr. Malik Tanveer Haider, Ex-Employee
"	491	191	300	350	"	Mr. Abdul Waheed, Ex-Employee
"	496	196	300	365	"	Mr. Muhammad Imran, Ex-Employee
"	504	204	300	154	"	Mr. Haroon Hamid Faizi, Ex-Employee
"	496	196	300	85	"	Mr. Sohail Bhatti, Ex-Employee
"	499	199	300	190	"	Mr. Tariq Masood, Employee
"	496	196	300	320	"	Mr. Zakaullah, Ex-Employee
"	491	191	300	330	"	Mr. Muhammad Younus, Employee
"	969	681	288	412	"	Mr. Ahmed Modan, Ex-Executive
"	1,125	844	281	281	"	Mr. Muhammad Ali, Executive
"	1,005	754	251	630	"	Mr. Wajid Ali Qureshi, Executive
"	1,005	754	251	402	"	Mr. Khalid Sethi, Executive
"	1,003	752	251	251	"	Mr. Abid M. Ather, Executive
"	1,003	752	251	950	"	Mr. Rizwan Mahmood, Ex-Executive
"	563	317	246	440	"	Mr. Fazal ur Rehman, Employee

Notes to and Forming Part of the Financial Statements

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	← Rupees ' 000 →					
"	969	727	242	364	Company Policy	Mr. Tanveer Aslam, Ex-Executive "
"	969	727	242	388	"	Mr. Bacha Said, Executive
"	969	727	242	242	"	Mr. Muhammad Ilyas, Ex-Executive
"	925	694	231	284	"	Mr. Zakir Hussain, Ex-Executive
"	920	690	230	340	"	Mr. Naeem Akhtar, Ex-Executive
"	879	659	220	220	"	Mr. Siraj Ashraf, Executive
"	651	468	183	391	"	Mr. Muzammil Munawar, Executive
"	619	454	165	200	"	Mr. Zahid Hussain, Ex-Executive
"	647	485	162	259	"	Mr. Imtiaz Hussain, Executive
"	620	465	155	-	"	Mr. Tayyab Javed (Late), Ex-Employee
"	620	465	155	678	"	Mr. Muhammad Imran Khan, Executive
"	620	465	155	248	"	Mr. Muhammad A. Saeed, Executive
"	620	465	155	155	"	Mr. Fahim Syed, Executive
"	620	465	155	155	"	Mr. Abdul Rashid, Executive
"	620	465	155	248	"	Mr. Syed Shujat Ali, Executive
"	620	465	155	248	"	Mr. Shakeel Abbas, Executive
"	620	465	155	248	"	Mr. Abid Subhan, Executive
"	620	465	155	248	"	Mr. Badi ur Rehman, Executive
"	1,384	303	1,081	1,384	Insurance Claim	EFU General Insurance Limited "
"	1,039	211	828	1,049	"	"
"	674	116	558	674	"	"
"	652	417	235	712	"	"
"	473	325	148	558	"	"
"	480	360	120	523	"	
"	1,043	191	852	983	Tender	Mr. Muhammad Tariq Ajmeri, 69 K, P.E.C.H.S Karachi
"	4,396	3,796	600	1,435	"	"
"	491	191	300	335	"	"
"	1,049	295	754	990	"	Mr. Zahid Qadri, House # R-536 15 A-4, Bufferzone Karachi.
"	464	348	116	428	"	"
"	1,043	196	847	981	"	Mr. Zahoor Ahmed, Mandviwalla Chamber Old Queens Road Karachi.
"	620	465	155	605	"	"
"	993	744	249	958	"	Ms. Sabiha Pervaiz, 78/2, Phase IV, DHA, Karachi
"	674	190	484	719	"	Mr. Adnan, B-508, Block 8, F. B. Area, Karachi
"	649	213	436	711	"	"
"	775	363	412	768	"	Mr. Abdul Razzak, B-11, Gulshan e Karim, SUPARCO, Karachi
"	464	348	116	446	"	"
"	1,109	710	399	812	"	Mr. Aijaz Baig, H.No. 4-E-6/8, Nazimabad, Karachi
"	725	385	340	761	"	Mr. Abdul Wahid, J-38, Rifah e Aam Society, Malir Halt, Karachi
"	1,238	929	309	1,013	"	Mr. Farrukh Amjad Shah,R-25, Sector 5/L, North Karachi
"	886	665	221	933	"	"
"	804	603	201	587	"	"
"	647	384	263	746	"	Mr. Waseem Mirza, A-32, Block 10/A,Gulshan e Iqbal, Karachi
"	804	603	201	567	"	"
"	480	315	165	532	"	"
"	464	348	116	456	"	"
"	464	348	116	466	"	"

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	Rupees ' 000					
Vehicles	464	348	116	486	Tender	Mr. Waseem Mirza, A-32, Block 10/A,Gulshan e Iqbal, Karachi
"	464	348	116	505	"	"
"	464	348	116	506	"	"
"	464	348	116	501	"	"
"	464	348	116	513	"	"
"	720	461	259	751	"	Mr. Asif Mehmood, C-15, Block Q, North Nazimabad Karachi
"	1,019	764	255	878	"	Mr. Muhammad Shafiq, House # 803, Block 14 F.B. Area, Karachi
"	1,012	759	253	618	"	Mr. M. Alam,Office #11, KDA Apartment, Block A, North Nazimabad, Karachi
"	509	382	127	393	"	"
"	464	348	116	365	"	"
"	1,003	752	251	817	"	Mr. Wali Ahmed Khan, D-8, Block B, North Nazimabad,Karachi
"	1,003	752	251	905	"	Mr. Amir Qureshi, B-7, Wajid Square, Block 16, Gulshan e Iqbal, Karachi
"	620	465	155	682	"	Mr. M. P. Mirza, 78/2, First Commercial Street, Phase IV, DHA, Karachi
"	620	465	155	685	"	"
"	905	368	537	762	"	Mr. Syed Ahmed Ali, 5/5, 5/C, Nazimabad, Karachi
"	979	734	245	997	"	Mr. Faisal Ghayur, 135/2, St #. 10, Khayaban e Muslim, Phase VI, DHA, Karachi
"	652	418	234	680	"	Mr. Zeeshan Ali Khan, 125-H, Block 2, P.E.C.H.S., Karachi
"	652	418	234	728	"	"
"	647	424	223	652	"	Waqar Enterprises, D-8, Block B, North Nazimabad, Karachi
"	864	648	216	943	"	Ms. Shumaila Sajid, 78/2, Phase IV, DHA, Karachi
"	849	637	212	917	"	Mr. Ovais, Prime 2/109, Flat # 8, BMCHS, Karachi
"	647	455	192	737	"	Mr. Muhammad Zakir Ayub, 301, Fatima Mansion Shoe Market Karachi.
"	615	452	163	676	"	Mr. Rizwan Ahmed, 11/2/1, Street # 32, Phase V, DHA, Karachi
"	620	465	155	726	"	Mr. S.M. Amir Zaidi, 3-B, 7/6, Nazimabad, Karachi
"	620	465	155	685	"	"
"	620	465	155	646	"	Mrs. Nadia Nadeem, Gulshan Luxury Apartment, Block 13 -B,Gulshan-e-Iqbal Karachi
"	615	461	154	685	"	Mr. Malik M. Jawaid, Karim Apartments, M. A. Jinnah Road, Karachi
"	615	461	154	700	"	"
"	464	348	116	316	"	Mr. Jawad Ahmed, A-26, Rufi Gardens, Block 13-D/2, Gulshan-e-Iqbal, Karachi
"	464	348	116	446	"	"
"	464	348	116	412	"	Mr. Asif Ibrahim, 3/29, Muslimabad, Khalid Bin Walid Road, Karachi
"	464	348	116	416	"	"
"	464	348	116	505	"	"
"	464	348	116	413	"	Mr. S.M. Ali Warsi, A-162/12, Gulberg, F.B. Area, Karachi
"	464	348	116	421	"	Mr. Danial Akhter, D-35, Block 8, Clifton, Karachi
"	464	348	116	421	"	"
"	464	348	116	422	"	Mr. Amin Hirani, A-21, Anarkali Apartment, Block 7, F.B.Area, Karachi
"	464	348	116	431	"	Mr. Muhammad Imran, 708, PIB Colony, Near Press Quarters, Karachi
"	464	348	116	446	"	"
"	351	287	64	363	"	Mr.Sultan Hassan Khan, A-908, Block 12, F.B. Area Karachi

Notes to and Forming Part of the Financial Statements

		2011	2010
		Rupees '000	
10.3	Capital work-in-progress		
	Civil work	770,995	324,180
	Plant and machinery	405,051	417,687
	Furniture and fixtures	17,236	17,655
	Office equipments	52,435	75,460
	Advances to suppliers	54,726	20,157
		1,300,443	855,139
	Provision for impairment	(32,579)	(32,579)
		1,267,864	822,560

10.3.1 Capital work-in-progress includes Rs. 561.09 million and Rs.159.32 million for up-gradation and extension of manufacturing facility at korangi factory, Karachi and partially constructed site at Sundar Industrial Estate, Lahore respectively

		2011	2010
		Rupees '000	
11.	INTANGIBLE		
	Goodwill	955,742	955,742

Goodwill is allocated to cash generating unit to which it relates, which is tested for impairment in line with note 2.9.

The recoverable amount of cash generating unit is the higher of value in use or fair value less cost to sell. Value in use is calculated as the net present value of the projected cash flows discounted at risk-adjusted discount rate.

Details relating to the discounted cash flow model used in the impairment test are as follows:

	Former GlaxoSmithKline Pharmaceuticals (Private) Limited (formerly Bristol-Myers Squibb Pakistan (Private) Limited)
Valuation basis	Value in use
Key assumptions	Sales growth rates Discount rate
Determination of assumptions	Growth rates are internal forecasts based on both internal and external market information and past performance. Cost reflects past experience, adjusted for inflation and expected changes. Discount rate is primarily based on weighted average cost of capital.
Termainal growth rate	4%
Period of specific projected cash flows	5 years
Discount rate	16%

The valuation indicates sufficient headroom such that a reasonably possible change to key assumptions is unlikely to result in an impairment of the related goodwill.

12. LONG-TERM LOANS TO EMPLOYEES

Reconciliation of the carrying amount of loans to executives and other employees:

	2011				2010			
	Executives	Other employees			Executives	Other Employees		
	Non-Interest bearing	Interest bearing	Non-Interest bearing	Total	Non-Interest bearing	Interest bearing	Non-Interest bearing	Total
	Rupees '000							
Balance at January 1	5,555	2,975	109,354	117,884	2,667	3,108	90,738	96,513
Disbursements	4,606	2,880	77,607	85,093	6,044	1,315	71,404	78,763
Repayments	(6,239)	(2,766)	(63,445)	(72,450)	(3,156)	(1,448)	(52,788)	(57,392)
Balance at December 31	3,922	3,089	123,516	130,527	5,555	2,975	109,354	117,884
Current portion included in note 16	(3,868)	(1,767)	(42,887)	(48,522)	(2,371)	(1,651)	(40,272)	(44,294)
	54	1,322	80,629	82,005	3,184	1,324	69,082	73,590

12.1 These loans have been given in accordance with the terms of employment for purchase of house, motor car, motor cycle, computer and for the purpose of staff welfare and are repayable in 12 to 60 equal monthly installments depending upon the type of the loan. These loans are interest free except certain loans which carry interest ranging from 5% to 8% per annum (2010: 5% to 8% per annum). All loans are secured against the retirement fund balances.

The maximum aggregate amount of loans due from executives at the end of any month during the year was Rs. 8.9 million (2010: Rs. 5.64 million).

13. STORES AND SPARES

	2011	2010
	Rupees '000	
Stores and spares	173,706	158,378
Provision for slow moving and obsolete items - note 13.1	(14,438)	(7,746)
	159,268	150,632

13.1 Stores and spares of Rs. 649 thousand (2010: Rs. 520 thousand) have been written off against provision during the year.

14. STOCK-IN-TRADE

	2011	2010
	Rupees '000	
Raw and packing materials including in transit Rs. 625.18 million (2010: Rs. 323.86 million)	2,072,078	1,590,899
Work-in-progress	591,080	394,146
Finished goods including in transit Rs. 303.15 million (2010: Rs. 310.63 million)	3,203,386	2,609,148
	5,866,544	4,594,193
Less: Provision for slow moving, obsolete and damaged items - note 14.3	(264,018)	(281,658)
	5,602,526	4,312,535

Notes to and Forming Part of the Financial Statements

14.1 Stock-in-trade includes Rs. 84.95 million (2010: Rs. 40.10 million), Rs. 148.94 million (2010: Rs. 79.73 million), Rs. 103.83 million (2010: Nil) and Rs. 57.31 million (2010: Rs. 47.14 million) held with Pharmatec Pakistan (Private) Limited, Vikor Enterprises (Private) Limited, Roomi Enterprises (Private) Limited and Akhai Pharmaceuticals (Private) Limited, respectively.

14.2 Stock-in-trade includes items costing Rs. 1.42 billion (2010: Rs. 899.90 million) valued at net realisable value of Rs. 1.25 billion (2010: Rs. 762.84 million).

14.3 Stocks of Rs. 102.185 million (2010: Rs. 91.128 million) have been written off against provision during the year.

	2011	2010
	Rupees '000	
15. TRADE DEBTS		
GlaxoSmithKline Trading Services Limited		
- Associated company	28,710	15,580
Others	314,694	280,182
Considered doubtful	47,547	29,741
	390,951	325,503
Provision for doubtful debts	(47,547)	(29,741)
	343,404	295,762

15.1 The maximum aggregate amount due from the related party at the end of any month during the year was Rs. 35.41 million (2010: Rs. 18.83 million).

15.2 Trade debts of Rs. 497 thousand (2010: Rs. 1.15 million) have been written off against provision during the year.

	2011	2010
	Rupees '000	
16. LOANS AND ADVANCES - considered good		
Loans due from employees - note 12	48,522	44,294
Advances to employees	38,951	27,244
Advances to suppliers	75,905	72,729
	163,378	144,267
17. TRADE DEPOSITS AND PREPAYMENTS		
Trade deposits	43,866	69,591
Prepayments	2,765	23,738
Margins held with banks	8,026	2,905
	54,657	96,234
18. REFUNDS DUE FROM GOVERNMENT		
Custom duty and sales tax		
- considered good	17,104	17,534
- considered doubtful	18,464	18,464
	35,568	35,998
Provision for doubtful receivables	(18,464)	(18,464)
	17,104	17,534

19. OTHER RECEIVABLES

	2011	2010
	Rupees '000	
Due from related parties		
- Associated companies - note 19.1	202,825	214,858
- BMS Pakistan (Private) Limited management staff pension fund - note 5.1	23,414	18,855
	226,239	233,713
Claims recoverable from suppliers		
- Associated companies - note 19.2	64,054	10,821
- Others	10,610	2,801
Receivable against sale of fixed assets	4,977	6,636
Others	13,920	36,085
	319,800	290,056

19.1 Due from associated companies

	2011	2010
GlaxoSmithKline Services Unlimited, UK	6,597	57,266
GlaxoSmithKline Export Limited, UK	43,736	15,235
GlaxoSmithKline Limited, Bangladesh	8,377	8,377
Glaxo Operations UK Limited, UK	14	-
GlaxoSmithKline Investment Co. Limited, China	413	-
Stiefel Laboratories (Pte) Limited, Singapore	133,396	128,614
GlaxoSmithKline S.A.E., Egypt	1,212	-
GlaxoSmithKline Pharmaceuticals Limited, India	3,438	-
Stiefel Laboratories Limited, US	5,642	5,366
	202,825	214,858

19.2 Claims recoverable from associated companies

	2011	2010
GlaxoSmithKline Trading Services Limited	7,049	7,049
GlaxoSmithKline Biologicals S.A.	57,005	3,772
	64,054	10,821

19.3 The maximum aggregate amount due from related parties at the end of any month during the year was Rs. 309.03 million (2010: Rs. 214.86 million).

20. INVESTMENTS

	Note	2011	2010
		Rupees '000	
Available-for-sale			
Pakistan Investment Bonds		-	172,231
Held-to-maturity			
Treasury bill	20.1	196,706	729,724
		196,706	901,955

20.1 This is held by company's banker for safe custody. The yield on this bill is 11.65% per annum (2010: 13.12% to 13.16% per annum) and this bill will mature in February 2012.

Notes to and Forming Part of the Financial Statements

	2011	2010
	Rupees '000	
21. CASH AND BANK BALANCES		
With banks		
on deposit accounts	1,800,000	2,475,000
on PLS savings accounts	236,689	254,580
on current accounts	79,305	74,176
Cash and cheques in hand	12,932	5,016
	2,128,926	2,808,772

21.1 At December 31, 2011 the rates of mark-up on PLS savings accounts and on term deposit accounts were 5.00% to 7.00% (2010: 5.00% to 6.50%) per annum and 9.00% to 12.10% (2010: 11.30% to 12.05%) per annum respectively.

	2011	2010
	Rupees '000	
22. NET SALES		
Manufactured goods		
Gross sales		
Local	18,723,707	16,391,285
Export	712,959	585,963
	19,436,666	16,977,248
Less: Commissions, returns, discounts and rebates	190,337	165,176
Sales tax	77,479	47,295
	19,168,850	16,764,777
Trading goods		
Gross sales		
Local	2,775,318	2,320,634
Export	14,353	8,754
	2,789,671	2,329,388
Less: Commissions, returns, discounts and rebates	160,258	157,523
Sales tax	48,116	20,451
	2,581,297	2,151,414
	21,750,147	18,916,191

22.1 Sales of major product categories i.e. antibiotics, dermatologicals and consumer during the year amounted to Rs. 9.02 billion, Rs. 2.79 billion and Rs. 2.36 billion (2010: Rs. 7.92 billion, Rs. 2.47 billion and Rs. 1.77 billion) respectively.

22.2 Company sells its products through a network of distribution channels involving various distributors / sub-distributors and also directly to government and other institutions. Sales to one distributor (2010: one distributor) exceed 10 percent of the net sales during the year, amounting to Rs. 2.35 billion (2010: Rs. 1.94 billion).

23. COST OF SALES

	2011	2010
	Rupees '000	
Raw and packing materials consumed	11,015,437	8,931,872
Manufacturing charges to third parties - note 23.1	318,769	201,508
Stores and spares consumed	39,731	41,658
Salaries, wages and other benefits - note 23.2	1,168,029	1,032,729
Fuel and power	384,753	367,376
Rent, rates and taxes	6,317	2,702
Royalty and technical assistance fee	223,106	154,028
Insurance	80,114	66,865
Publication and subscriptions	4,670	2,913
Repairs and maintenance	173,646	125,375
Training expenses	927	3,038
Travelling and entertainment	16,882	11,154
Vehicle running	16,999	14,524
Depreciation / amortisation	249,526	254,859
Impairment charge	32,308	18,309
Provision for slow moving and obsolete stock - raw and packing materials	53,819	91,794
Provision for slow moving and obsolete stores and spares	7,341	2,426
Canteen expenses	102,880	77,077
Laboratory expenses	37,981	33,686
Communication and stationery	13,975	10,673
Security expenses	12,784	12,532
Stock written off	6,307	30,803
Other expenses	42,168	29,991
	14,008,469	11,517,892
Opening stock of work-in-process	393,719	301,517
Closing stock of work-in-process	(577,804)	(393,719)
Cost of goods manufactured	13,824,384	11,425,690
Opening stock of finished goods	1,549,994	1,580,625
	15,374,378	13,006,315
Closing stock of finished goods	(2,149,817)	(1,549,994)
Cost of samples shown under selling, marketing and distribution expenses - sales promotion	(116,251)	(104,696)
	13,108,310	11,351,625
Trading goods		
Opening stock of finished goods	811,763	1,037,019
Purchase of finished goods	2,854,738	2,500,151
	3,666,501	3,537,170
Closing stock of finished goods	(830,085)	(811,763)
Cost of samples shown under selling, marketing and distribution expenses - sales promotion	(12,998)	(13,790)
	2,823,418	2,711,617
	15,931,728	14,063,242

Notes to and Forming Part of the Financial Statements

23.1 This includes Rs. 20 million paid for facility up-gradation purposes in terms of a litigation compromise.

23.2 Salaries, wages and other benefits include Rs. 47.20 million and Rs. 32.02 million (2010: Rs. 42.79 million and Rs. 28.80 million) in respect of defined benefit plans and contributory provident fund respectively.

24. SELLING, MARKETING AND DISTRIBUTION EXPENSES

	2011	2010
	Rupees '000	
Salaries, wages and other benefits - note 24.1	807,992	768,013
Sales promotion	888,024	693,572
Advertising	323,369	172,787
Handling, freight and transportation	281,303	227,529
Travelling and entertainment	185,219	166,151
Depreciation / amortisation	47,988	44,340
Vehicle running	46,174	42,093
Publication and subscriptions	29,633	20,408
Fuel and power	19,842	23,461
Communication	21,880	20,100
Provision for doubtful debts	18,303	14,066
Repairs and maintenance	22,381	24,132
Insurance	22,329	14,396
Printing and stationery	11,703	13,174
Security expenses	10,143	9,259
Rent, rates and taxes	8,906	9,900
Canteen expenses	1,251	1,716
Training expenses	6,204	4,173
Other expenses	37,729	32,246
	2,790,373	2,301,516

24.1 Salaries, wages and other benefits include Rs. 42.46 million and Rs. 26.68 million (2010: Rs. 35.5 million and Rs. 24.15 million) in respect of defined benefit plans and contributory provident fund respectively.

25. ADMINISTRATIVE EXPENSES

	2011	2010
	Rupees '000	
Salaries, wages and other benefits - note 25.1	396,662	349,484
Depreciation	63,659	72,938
Communication	32,393	37,644
Training expenses	7,551	12,062
Travelling and entertainment - note 25.2	16,160	23,632
Legal and professional charges	37,753	27,974
Repairs and maintenance	22,093	27,620
Donations - note 25.3	15,145	25,681
Printing and stationery	10,931	15,662
Auditors' remuneration - note 25.4	9,582	11,863
Vehicle running	19,984	17,243
Security expenses	16,982	14,957
Publication and subscriptions	9,466	12,195
Rent, rates and taxes	7,374	7,113
Insurance	9,180	6,759
Canteen expenses	7,014	8,402
Restructuring cost	324,533	257,218
Less: recovery from associated undertaking	-	(127,823)
	324,533	129,395
Other expenses	69,125	101,492
Less: recovery from associated undertaking	(53,094)	(75,880)
	16,031	25,612
	1,022,493	826,236

25.1 Salaries, wages and other benefits include Rs. 15.73 million and Rs. 9.94 million (2010: Rs. 11.69 million and Rs. 11.21 million) in respect of defined benefit plans and contributory provident fund respectively.

25.2 These are net of recovery from related party of Rs. 980 thousand (2010: Rs. 985 thousand).

25.3 Donations include a sum of Rs. 655 thousand (2010: Rs. 537 thousand) paid to Concern for Children Trust, B/63, Estate Avenue, S.I.T.E, Karachi and Rs.190 thousand (2010: Rs.815 thousand) paid to Trust for Health and Medical Sciences, Beecham Road, Laiqabad, Landhi, Karachi. In both the trusts Mr. Muhammad Salman Burney, Chairman / Chief Executive, Mr. Shahid Mustafa Qureshi, Director, Ms. Erum Shakir Rahim, Director and Ms. Fariha Salahuddin, Director, are trustees.

	2011	2010
	Rupees '000	
25.4 Auditors' remuneration		
Audit fee	4,800	3,900
Fee for review of half yearly financial statements, special certifications and others	4,010	3,578
Taxation services	283	3,485
Out-of-pocket expenses	489	900
	9,582	11,863
26. OTHER OPERATING EXPENSES		
Workers' Profits Participation Fund - note 7.2	121,588	105,150
Workers' Welfare Fund	50,409	46,481
Central Research Fund	22,069	19,512
	194,066	171,143
27. OTHER OPERATING INCOME		
Income from financial assets		
Return on PIBs	8,848	16,141
Return on Treasury Bills	68,907	68,045
Income on savings and deposit accounts	265,634	238,167
	343,389	322,353
Income from non-financial assets		
Gain on disposal of operating assets	43,852	1,581
Others		
Scrap sales	31,799	18,818
Insurance commission	25,256	13,647
Service fee on clinical trial studies	4,779	6,634
Liabilities no longer required written back	7,528	31,000
Others	5,324	3,663
	461,927	397,696
28. FINANCIAL CHARGES		
Exchange loss - net	19,455	5,058
Bank charges	16,237	14,832
Interest on Workers' Profits Participation Fund – note 7.2	834	136
	36,526	20,026

Notes to and Forming Part of the Financial Statements

		2011	2010
		Rupees '000	
29.	TAXATION		
	Current		
	- for the year	1,059,128	864,298
	- prior years	25,000	12,500
	Deferred	11,844	(2,457)
		1,095,972	874,341
29.1	Relationship between tax expense and accounting profit		
	Profit before taxation	2,236,888	1,931,724
	Tax at the applicable rate of 35%	782,911	676,103
	Prior years' adjustment	25,000	12,500
	Effect of final tax regime	233,919	129,217
	Effect of flood surcharge	42,000	-
	Tax effect of other than temporary differences	12,142	56,521
		1,095,972	874,341
30.	EARNINGS PER SHARE		
	Profit after taxation	1,140,916	1,057,383
	Weighted average number of outstanding shares - note 30.1	239,269	239,269
	Earnings per share - basic	Rs.4.77	Rs. 4.42

30.1 The weighted average shares at December 31, 2010 have been increased to reflect the bonus shares issued during the year and shares issued under the scheme of amalgamation with former Stiefel Laboratories Pakistan (Private) Limited.

30.2 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.

	2011	2010
	Rupees '000	
31. CASH GENERATED FROM OPERATIONS		
Profit before taxation	2,236,888	1,931,724
Add / (less): Adjustments for non-cash charges and other items		
Depreciation / amortisation	361,173	372,137
Return on investments - PIBs	(8,848)	(16,141)
Impairment charge - net	32,308	18,309
Gain on disposal of operating assets	(43,852)	(1,581)
Provision for staff retirement benefits	105,388	89,983
	446,169	462,707
Profit before working capital changes	2,683,057	2,394,431
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Stores and spares	(8,636)	(8,567)
Stock-in-trade	(1,289,991)	231,154
Trade debts	(47,642)	1,032,695
Loans and advances	(19,111)	(49,419)
Trade deposits and prepayments	41,577	9,990
Interest accrued	(12,712)	2,945
Refunds due from government	430	(14,484)
Other receivables	(26,844)	(166,836)
	(1,362,929)	1,037,478
Increase / (decrease) in current liabilities		
Trade and other payables	(3,988)	321,907
Provisions	86,238	(105,933)
	(1,280,679)	1,253,452
	1,402,378	3,647,883

32. CASH AND CASH EQUIVALENTS

	2011	2010
Cash and bank balances - note 21	2,128,926	2,808,772
Short term investment - Treasury bill - note 20	196,706	729,724
	2,325,632	3,538,496

33. SEGMENT INFORMATION

A business segment is a group of assets and operations engaged in providing products that are subject to risks and returns that are different from those of other business segments. Management has determined the operating segments based on the information that is presented to the chief operation decision-maker of the company for allocation of resources and assessment of performance. Based on internal management reporting structure the company is organised into the following two operating segments:

- Pharmaceuticals
- Consumer healthcare

Management monitors the operating results of above mentioned segments separately for the purpose of making decisions about resources to be allocated and for assessing performance.

Notes to and Forming Part of the Financial Statements

Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

33.1 The financial information regarding operating segments is as follows:

Segment wise operating results

	Year ended December 31, 2011			Year ended December 31, 2010		
	Pharma-ceuticals	Consumer healthcare	Total	Pharma-ceuticals	Consumer healthcare	Total
	(Rupees '000)			(Rupees '000)		
Revenue - note 33.2	19,389,916	2,360,231	21,750,147	17,147,771	1,768,420	18,916,191
Cost of sales	(14,047,218)	(1,884,510)	(15,931,728)	(12,813,392)	(1,249,850)	(14,063,242)
Gross Profit	5,342,698	475,721	5,818,419	4,334,379	518,570	4,852,949
Selling, marketing and distribution expenses	(2,300,204)	(490,169)	(2,790,373)	(1,973,179)	(328,337)	(2,301,516)
Administrative expenses	(983,597)	(38,896)	(1,022,493)	(792,043)	(34,193)	(826,236)
Segment results	2,058,897	(53,344)	2,005,553	1,569,157	156,040	1,725,197

Reconciliation of segments' results with profit before taxation:

	2011	2010
	Rupees '000	
Total results for reportable segments	2,005,553	1,725,197
Other operating expenses	(194,066)	(171,143)
Other operating income	461,927	397,696
Financial charges	(36,526)	(20,026)
Profit before taxation	2,236,888	1,931,724

33.2 All revenue comprises of sales to external customers as there is no inter-segment sale.

33.3 Segment Assets & Liabilities represent:

	As at December 31, 2011			As at December 31, 2010		
	Pharma-ceuticals	Consumer healthcare	Total	Pharma-ceuticals	Consumer healthcare	Total
	(Rupees '000)			(Rupees '000)		
Segment assets	11,720,066	272,581	11,992,647	9,692,541	351,550	10,044,091
Segment liabilities	3,073,551	159,429	3,232,980	2,921,543	86,019	3,007,562

Reconciliation of segments' assets and liabilities with totals in the balance sheet is as follows:

	As at December 31, 2011 (Rupees '000)		As at December 31, 2010 (Rupees'000)	
	Assets	Liabilities	Assets	Liabilities
Total for reportable segments	11,992,647	3,232,980	10,044,091	3,007,562
Unallocated assets / liabilities	3,444,938	1,096,033	4,847,708	1,084,423
Total as per balance sheet	15,437,585	4,329,013	14,891,799	4,091,985

33.4 Other segment information is as follows:

	Year ended December 31, 2011			Year ended December 31, 2010		
	Pharma-ceuticals	Consumer healthcare	Total	Pharma-ceuticals	Consumer healthcare	Total
	(Rupees '000)			(Rupees '000)		
Depreciation and amortisation	356,109	5,064	361,173	367,702	4,435	372,137
Salaries, wages and other benefits	2,305,669	67,014	2,372,683	2,090,656	59,570	2,150,226
Sales promotion and advertisement	848,544	362,849	1,211,393	633,714	232,645	866,359
Handling and Freight	273,619	7,684	281,303	224,282	3,247	227,529

34. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The amounts charged in these financial statements for remuneration of the Chief Executive, Directors and Executives are as follows:

	Chief Executive		Directors		Executives	
	2011	2010	2011	2010	2011	2010
	(Rupees '000)					
Managerial remuneration	14,773	13,401	28,170	14,800	250,445	238,363
Bonus and SARs - note 34.1	16,019	16,533	25,354	12,032	123,579	84,990
Retirement benefits	3,476	3,130	7,290	3,802	59,176	53,273
House rent	6,043	5,482	12,677	6,660	102,894	88,107
Utilities	1,343	1,218	2,817	1,480	22,883	19,579
Medical expenses	134	133	419	216	10,718	8,922
Others	433	528	4,386	1,999	35,669	15,449
	42,221	40,425	81,113	40,989	605,364	508,683
Number of person (s)	1	1	6	3	228	213

In addition to the above, fee to three (2010: two) non-executive Directors during the year amounted to Rs. 300 thousand (2010: Rs. 135 thousand).

Chief Executive, Executive Directors and certain executives are also provided with free use of company maintained cars in accordance with the company policy.

34.1 Bonus includes Share Appreciation Rights (SARs) given to Chief Executive, Executive Directors and certain executives amounting to Rs. 45.53 million (2010: Rs. 18.84 million). These are granted every year and are payable upon completion of three years of qualifying period of service. They are linked with the share value of ultimate parent company, GlaxoSmithKline plc, UK.

Notes to and Forming Part of the Financial Statements

35. TRANSACTIONS WITH RELATED PARTIES

Relationship	Nature of transactions	2011 Rupees '000	2010 Rupees '000
Holding Company:	Dividend paid	640,723	672,268
Associated companies:	a. Purchase of goods	4,633,717	4,152,353
	b. Sale of goods	159,192	115,790
	c. Royalty paid	133,218	88,496
	d. Recovery of expenses	54,088	74,699
	e. Service fee on clinical trial studies	4,779	6,634
	f. Donations	845	1,352
	g. Severance cost reimbursement	-	127,823
Staff retirement funds:	a. Expense charged for retirement benefit plans	174,025	154,140
	b. Payments to retirement benefit plans	274,118	126,160
	c. Receipts from retirement benefit plans	-	31,212
Key management personnel:	a. Salaries and other employee benefits	179,919	138,967
	b. Post employment benefits	17,173	12,945
	c. Sale of assets	655	292
	d. Legal / professional fee	272	12,000

35.1 Balances of related parties as at December 31, 2011 are included in the respective notes to the financial statements. These are settled in the ordinary course of business. The receivables and payables are mainly unsecured in nature and bear no interest.

36. RUNNING FINANCE UNDER MARK-UP ARRANGEMENTS

The facility for running finance available from a bank amounted to Rs. 100 million (2010: Rs. 350 million). Rate of mark-up is three month KIBOR plus 1.25% (2010: from three month KIBOR plus 0.50% to one month KIBOR plus 1.25%) per annum. The arrangements are secured by Intra Group Guarantee.

The facilities for opening letters of credit and guarantees as at December 31, 2011 amounted to Rs. 2.16 billion (2010: Rs. 2.16 billion) of which unutilised balances at the year end amounted to Rs. 1.14 billion (2010: Rs. 1.28 billion).

37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

37.1 Financial assets and liabilities

All the financial assets of the company, except Treasury Bill classified as held to maturity, are categorised as loans and receivables and all the financial liabilities are categorised as financial liabilities measured at amortised cost. The carrying values of all financial assets and liabilities approximate their fair values.

	Interest bearing			Non-interest bearing			Total
	Maturity up to one year	Maturity after one year	Total	Maturity up to one year	Maturity after one year	Total	
	Rupees '000						
Financial assets							
Loans to employees	1,767	1,322	3,089	46,755	80,683	127,438	130,527
Trade Deposits	-	-	-	43,866	11,780	55,646	55,646
Trade debts	-	-	-	343,404	-	343,404	343,404
Interest accrued	-	-	-	30,372	-	30,372	30,372
Other receivables	-	-	-	319,800	-	319,800	319,800
Cash and bank balances	2,036,689	-	2,036,689	92,237	-	92,237	2,128,926
Treasury Bills	196,706	-	196,706	-	-	-	196,706
December 31, 2011	2,235,162	1,322	2,236,484	876,434	92,463	968,897	3,205,381
December 31, 2010	3,633,186	1,324	3,634,510	823,931	84,137	908,068	4,542,578
Financial liabilities							
Trade and other payables	-	-	-	3,534,935	-	3,534,935	3,534,935
Provisions	-	-	-	217,239	-	217,239	217,239
December 31, 2011	-	-	-	3,752,174	-	3,752,174	3,752,174
December 31, 2010	-	-	-	3,154,544	-	3,154,544	3,154,544
On balance sheet date gap							
December 31, 2011	2,235,162	1,322	2,236,484	(2,875,740)	92,463	(2,783,277)	(546,793)
December 31, 2010	3,633,186	1,324	3,634,510	(2,330,613)	84,137	(2,246,476)	1,388,034

The effective mark-up rates for the financial assets and liabilities are mentioned in respective notes to the financial statements.

37.2 Financial Risk Management

(a) Market risk

(i) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. As at December 31, 2011 the company does not have any borrowings. Further the entire interest bearing financial assets of Rs. 2.24 billion (2010: Rs. 3.46 billion) are on fixed interest rates, hence management believes that the company is not exposed to interest rate changes.

(ii) Currency risk

Foreign currency risk arises mainly where receivables and payables exist in foreign currency due to transactions with foreign undertakings. Net payables exposed to foreign currency risk as at December 31, 2011 amount to Rs. 762.38 million (2010: Rs. 1.02 billion). The liability is mainly denominated in US Dollars. At December 31, 2011, if the Pakistan Rupee had weakened / strengthened by 5% against the US Dollar with all other variables held constant, post-tax profit for the year would have been lower / higher by Rs. 38.12 million (2010: Rs. 51.08 million).

(b) Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counterparts failed to perform as contracted. The analysis of maximum exposure to credit risk resulting from each class of financial assets is as follows:

Notes to and Forming Part of the Financial Statements

	2011	2010
	Rupees '000	
Trade debts	343,404	295,762
Loans to employees, trade deposits, interest accrued and other receivables	536,345	536,089
Investments	196,706	901,955
Bank balances	2,115,994	2,803,756
	3,192,449	4,537,562

Trade debts of the company are not exposed to significant credit risk as the company trades with credit worthy third parties. Trade debts of Rs. 124.47 million (2010: Rs. 108.77 million) are past due of which Rs. 47.55 million (2010: Rs. 29.74 million) have been impaired. Past due but not impaired balances include Rs. 17.46 million (2010: Rs. 5.61 million) outstanding for more than three months.

Loans to employees are secured against their retirement benefits.

Investments represent Treasury bill. The Treasury bill is of short term nature and therefore has a low credit risk.

Bank balances represent low credit risk as these are placed with banks having good credit rating assigned by credit rating agencies.

(c) Liquidity risk

Liquidity risk reflects the company's inability in raising funds to meet commitments. The company manages liquidity risk by maintaining sufficient cash and balances with banks in deposit accounts and the availability of financing through banking arrangements. As at December 31, 2011 there is no maturity mismatch between financial assets and liabilities that exposes the company to liquidity risk.

38. CAPITAL RISK MANAGEMENT

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern so that it can continue to provide adequate returns for shareholders and benefits for other stakeholders and to maintain an optimal return on capital employed. The current capital structure of the company is equity based with no financing through borrowings.

39. CAPACITY AND PRODUCTION

The capacity and production of the company's plants are indeterminable as these are multi-product and involve varying processes of manufacture.

40. SUBSEQUENT EVENTS

The Board of Directors in its meeting held on March 08, 2012 proposed a cash dividend of Rs. 4.0 per share (2010: Rs. 4.0 per share) amounting to Rs. 0.96 billion (2010: Rs. 0.83 billion) and proposed a transfer of Rs. 239.27 million from 'Unappropriated profit' to "reserve for bonus shares" (2010:Rs. 312.09 million out of the capital reserves) for issuance of ten bonus shares for every hundred shares held (2010:15 bonus shares for every hundred shares held) subject to the approval of the company in the forthcoming annual general meeting of the company.

41. DATE OF AUTHORISATION FOR ISSUE

These financial statements were approved and authorised for issue by the Board of Directors of the company on March 08, 2012.

M. Salman Burney
Chairman / Chief Executive

Yahya
Yahya Zakaria
Chief Financial Officer

Form 34
Pattern of Shareholding

NUMBER OF SHAREHOLDERS	SHARES HOLDING From	To	TOTAL SHARES HELD
929	1	100	28,910
1,225	101	500	330,328
839	501	1000	558,010
1,222	1001	5000	2,726,499
278	5001	10000	1,914,441
121	10001	15000	1,493,167
56	15001	20000	976,426
37	20001	25000	817,685
30	25001	30000	832,006
11	30001	35000	354,121
6	35001	40000	231,971
8	40001	45000	338,910
9	45001	50000	420,197
7	50001	55000	363,619
5	55001	60000	282,189
2	60001	65000	123,695
8	65001	70000	543,140
2	70001	75000	141,875
4	75001	80000	304,633
2	80001	85000	163,957
2	85001	90000	174,559
3	90001	95000	277,557
1	95001	100000	100,000
1	110001	115000	110,061
2	120001	125000	246,017
1	130001	135000	134,170
1	135001	140000	135,282
1	140001	145000	144,106
1	155001	160000	159,445
2	160001	165000	327,233
2	175001	180000	358,897
1	180001	185000	181,150
1	220001	225000	221,575
2	225001	230000	457,082
1	295001	300000	300,000
1	300001	305000	301,610
1	555001	560000	557,372
1	565001	570000	568,977
1	660001	665000	662,459
1	810001	815000	814,172
1	2235001	2240000	2,236,047
1	2315001	2320000	2,316,541
1	3710001	3715000	3,714,959
1	6835001	6840000	6,837,763
1	7380001	7385000	7,382,983
1	13395001	13400000	13,395,558
1	29585001	29590000	29,586,199
1	154620001	154625000	154,621,626
4,836			239,269,179

Categories of Shareholders

a)

Sr. No.	Categories of Shareholders	Number of Shareholders	Shares Held	Percentage (%)
1	Individuals	2,105	4,636,852	1.94
2	Investment Companies	4	2,274	0.00
3	Insurance Companies	1	1	0.00
4	Joint Stock Companies	10	22,829	0.01
5	Financial Institutions	2	4,892	0.00
6	Associated Companies	4	197,618,183	82.59
7	Central Depository Company (b)	2,705	36,951,654	15.45
8	Others (see below)	5	32,494	0.01
		4,836	239,269,179	100.00

Others:

i	Mohsin Trust	1	19,875	0.01
ii	The Al-Malik Charitable Trust	1	704	0.00
iii	Securities Exchange Commission of Pakistan	1	1	0.00
iv	Punjabi Saudagar Multipurpose Co-operative Society	1	250	0.00
v	The Anjuman Wazifa Sadat-o-Momineen Pakistan	1	11,664	0.00
		5	32,494	0.01

(b) Categories of Account holders and Sub-Account holders as per Central Depository Company of Pakistan as at December 31, 2011

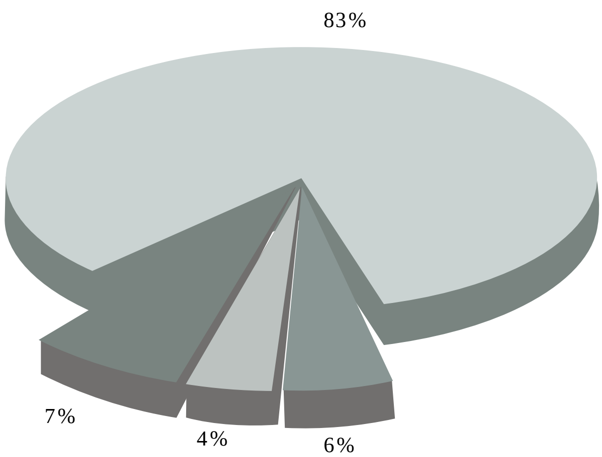
Sr. No.	Categories of Shareholders	Number of Shareholders	Shares Held	Percentage (%)
1	Individuals	2,609	8,881,474	3.71
2	Investment Companies	11	654,156	0.28
3	Insurance Companies	11	8,703,848	3.64
4	Joint Stock Companies	43	380,108	0.16
5	Financial Institutions	13	17,817,732	7.45
6	Modarabas	2	31,063	0.01
7	Foreign Companies	3	77,533	0.03
8	Others (see below)	13	405,740	0.17
		2,705	36,951,654	15.45

Others:

i	The Aga Khan University Foundation	1	26,680	0.01
ii	The Pakistan Memon Educational & Welfare Society	1	48,300	0.02
iii	Trustees Kandawala Trust	1	51,355	0.02
iv	Trustees Saeeda Amin WAKF	1	51,750	0.02
v	Trustees Mohammad Amin WAKF ESTATE	1	86,250	0.04
vi	Managing Committee Karachi Zorthosti Banu Mandal	1	21,799	0.01
vii	Trustees of Zafa Phar Lab. Staff P. Fund	1	12,577	0.01
viii	Trustees Gul Ahmed Textile Mills Ltd.	1	500	0.00
ix	Trustees Mrs. Khorshed H. Dinshaw & Mr. Hosh	1	40,752	0.02
x	Trustees D.N.E. Dinshaw Charity Trust	1	55,306	0.02
xi	Centre for Development of Social Service	1	3,450	0.00
xii	Trustee A Saadat & Co. Employees Gratuity	1	4,600	0.00
xiii	The Al-Malik Charitable Trust	1	2,421	0.00
		13	405,740	0.17

Shareholding Information

Categories of Shareholders	Number of Shareholder	No. of Shares held
Holding Company		
S.R. One International B.V. Netherlands	2	184,207,825
SmithKline Beecham Nominee Ltd.	1	14,800
Stiefel Laboratories (Ireland) Ltd.	1	13,395,558
N.I.T. & I.C.P:		
Investment Corporation of Pakistan	2	279
National Bank of Pakistan (Trustee Department)	2	7,383,008
Directors, CEO and their spouses and minor children:		
Mr. M. Salman Burney	1	3,593
Mr. Shahid Mustafa Qureshi	1	3
Dr. Muzaffar Iqbal	1	1
Mr. Rafique Dawood	1	1
Mr. Husain Lawai	1	2,910
Mr. Maqbool-ur-Rehman	1	1,957
Executives	3	1,575
Public sector companies and corporation :		
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds	43	19,908,212
Shareholders holding 10% or more voting interest :		
S.R. One International B.V. Netherlands	2	184,207,825



Distribution of Shares

Holding Company	83%
Individuals	6%
Insurance Companies	4%
Financial Institutions	7%

Notice of Annual General Meeting

Notice is hereby given that the SIXTY-FIFTH Annual General Meeting of the Shareholders of the Company will be held at the Beach Luxury Hotel, Karachi at 11:00 a.m. on Friday, April 06, 2012 to transact the following business:

1. (a) To receive and adopt the Report of the Directors and the Accounts for the year ended December 31, 2011 and the Auditors' Report thereon;

   (b) to approve the payment of a dividend.

2. To appoint Auditors and fix their remuneration.

3. To consider and if thought fit to capitalize a sum of Rs. 239.27 million out of the Unappropriated profit of the company for the issuance of 23,926,918 bonus shares in the proportion of ten ordinary shares for every one hundred ordinary shares held by the Members of the Company as on March 30, 2012

By Order of the Board

Karachi
March 17, 2012

Shahid Mustafa Qureshi
Director/Company Secretary

Notes:

1. The Individual Members who have not yet submitted photocopy of their valid Computerised National Identity Card (CNIC) to the Company are once again requested to send at the earliest directly to Company's Share Registrar at 516, Clifton Centre, Khayaban-e-Roomi, Khehkashan, Block-5, Clifton, Karachi. The Corporate Entities are requsted to provide their National Tax Number (NTN) Please give Folio Number with the copy of CNIC/NTN detailes.Reference is also made to the Securities and Exchange Commission of Pakistan (SECP) Notification dated August 18, 2011, SRO 779 (i) 2011, which mandates that the dividend warrents should bear CNIC number of the registered number or the authorized person, except in case of minor(s) and corporate members.

2. The Share Transfer Books of the Company will be closed for the purpose of determining the entitlement for the payment of dividend from March 30, 2012 to April 06, 2012 (both days inclusive). Transfers received at the Office of the Share Registrars of the Company at 516, Clifton Centre, Khayaban-e-Roomi, Kehkashan, Block - 5, Clifton, Karachi-75600 at the close of business on March 29, 2012 will be treated in time for the purposes of entitlement to the transferees.

3. A member entitled to attend and vote at the Meeting may appoint another member as his/her Proxy to attend, speak and vote at the Meeting on his/her behalf. Instrument appointing Proxy must be deposited at the Office of the Share Registrars of the Company at 516, Clifton Centre, Khayaban-e-Roomi, Kehkashan, Block - 5, Clifton, Karachi-75600 not less than 48 hours before the time of the Meeting.

4. The shareholders are requested to notify the Company if there is any change in their address.

5. CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular No. 1 of 2000 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

A. For Attending the Meeting:

`
i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.

ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For Appointing Proxies:

i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.

ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

iv) The proxy shall produce his/her original CNIC or original passport at the time of the meeting.

v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

6. The shareholders holding physical shares are also required to bring their original CNIC and/or copy of CNIC of shareholder(s) of whom he/she/they hold Proxy(ies) without CNIC such shareholder(s) shall not be allowed to attend and/or sign the Register of Shareholders/Members at the AGM.

Factories and Distribution / Sales Offices

FACTORIES

Karachi

35, Dockyard Road,
West Wharf, Karachi - 74000
Tel: (92 - 21) 32315478 - 82
Fax: (92 - 21) 32311120
UAN: 111 - 475 - 725

F - 268, S.I.T.E.,
Near Labour Square,
Karachi - 75700
Tel: (92 - 21) 32570665 - 69
Fax: (92 - 21) 32572613

Plot # 5, Sector 21,
Korangi Industrial Area,
Karachi - 74900
Fax: (92 - 21) 35015800
UAN: 111 - 000 - 267

Lahore

18.5 Km., Ferozepur Road,
P.O. Box No. 244
Tel: (92- 42) 5811931 - 35
Fax: (92 - 42) 5820821

DISTRIBUTION / SALES OFFICE

Karachi
Estate Avenue,
B - 63, 65 S.I.T.E.,
Karachi
Tel: (92 - 21) 32561200 - 07
Fax: (92 - 21) 32564908

Sukkur

Plot No. 77/80, Block B,
Friends Cooperative Housing Society,
Akhuwut Nagar, Airport Road
Tel: (92 - 71) 5630668, 5630144
Fax: (92 - 71) 5631665

Multan

Islam-ud-din House, Mehmood Kot,
Bosan Road
Tel: (92 - 61) 6222061 - 63
Fax: (92 - 61) 6222064

Lahore

Cordeiro House,
Plot No. 27, Kot Lakhpat Industrial Estate,
Kot Lakhpat
Tel: (92 - 42) 35111061- 64
Fax: (92- 42) 35111065

Islamabad

Aleem House, Plot No. 409,
Sector 1-9, Industrial Area
Tel: (92 - 51) 4433589, 4433598
Fax: (92 - 51) 4433706

Peshawar

D' Souza House, Nasirpur,
Near Abid Flour Mills,
G. T. Road
Tel: (92 - 91) 2261451 - 52
Fax: (92 - 91) 2261457

GlaxoSmithKline

Form of Proxy

GlaxoSmithKline Pakistan Limited

I/We______________________________________of____ , being a Member of GlaxoSmithKline Pakistan Limited holding ____________________ ordinary shares, HEREBY APPOINT ____ of ____ , another member of the Company, failing him/her _________________________ of ______________________________ as my/our proxy in my/our absence to attend and to vote and act for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at the Beach Luxury Hotel, Karachi on Firday, April 06, 2012 and at any adjournment thereof.

As witness my/our hand(s) this _____ day of _______________ 2012.

Signed in the presence of:

____

(Signature of Witness 1)
Name of Witness:
CNIC No.:

Address:

____

(Signature of Witness 2)
Name of Witness:
CNIC No.:

Address:

Ten Rupees
Revenue Stamp

____

(Name in Block Letters)
Folio No.

____

Signature of the Shareholder

Notes:

1. The Member is requested:
   (a) to affix Revenue Stamp of Rs. 10/- at the place indicated above;
   (b) to sign in the same style of signature as is registered with the Company;
   (c) to write down his/her Folio Number.

2. For the appointment of the above proxy to be valid, this instrument of proxy must be received at the Office of the Share Registrars of the Company at 516, Clifton Centre, Khayaban-e-Roomi, Kehkashan, Block - 5, Clifton, Karachi - 75600, at least 48 hours before the time fixed for the Meeting.

3. Any alteration made in this instrument of proxy should be initialed by the person who signs it.

4. In the case of joint holders, the vote of the senior who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority will be determined by the order in which the names stand in the Register of Members.

5. The Proxy must be a Member of the Company.

For CDC Account Holders / Corporate Entities

In addition to the above, the following requirements have to be met:

(i) The proxy form must be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
(ii) Attested copies of CNIC or the passport of the beneficial owners and of the Proxy must be furnished with the proxy form.
(iii) The Proxy must produce his original CNIC or original passport at the time of the Meeting.
(iv) In case of corporate entities, the Board of Directors' resolution/power of attorney and specimen signature must be submitted (unless it has been provided earlier) along with proxy forms to the Share Registrars.

AFFIX
CORRECT
POSTAGE

Gangjees Registrar Services (Pvt.) Ltd.
516, Clifton Centre, Khayaban-e-Roomi,
Kahkeshan, Block - 5, Clifton,
Karachi - 75600

GlaxoSmithKline Pakistan Limited
35 - Dockyard Road, West Wharf, Karachi - 74000.
GlaxoSmithKline Pakistan Limited is a member of
GlaxoSmithKline group of companies.