GlaxoSmithKline

GlaxoSmithKline Pakistan Limited

ANNUAL REPORT 2012

BEYOND HEALTHCARE

BEYOND HEALTHCARE

At GSK we strive to achieve the best results in order to satisfy specific consumer needs. With our eye on tomorrow, we strive to build a legacy of quality products that enables people to

DO MORE
FEEL BETTER
LIVE LONGER

Our enthusiasm for the value of human life is at the heart of everything we do. Our efforts go beyond just healthcare … they reach out to change lives, for the better.

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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

Ms. Fariha Salahuddin
Non-Executive 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

Dr. Muzaffar Iqbal
Non-Executive Director

Audit Committee
Mr. Rafique Dawood
Chairman

Mr. Husain Lawai
Member

Mr. Mehmood Mandviwalla
Member

Human Resource and Remuneration Committee
Mr. Husain Lawai
Chairman

Mr. Rafique Dawood
Member

Mr. Mehmood Mandviwalla
Member

Mr. M. Salman Burney
Member

Ms. Fariha Salahuddin
Member

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

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

Mr. Shoaib Pasha
Technical Director

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

Ms. Pouruchisty Sidhwa
Director Human Resources

Dr. Khawar Saeed Khan
Director Medical Affairs

Company Secretary
Mr. Shahid Mustafa Qureshi

Chief Financial Officer
Mr. Yahya Zakaria

Chief Internal Auditor
Ms. Ayesha Muharram

Bankers
Citibank NA
Standard Chartered Bank (Pakistan) Limited
HSBC Bank Middle East Limited
Habib Bank Limited
Deutsche Bank A.G.
Barclays Bank PLC Pakistan

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

VISION

GlaxoSmithKline's vision is inspiring:

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 respect for people, patient focused, transparency and integrity. 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 provides people around the world with 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 teamwork 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.

1

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.

2

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.

3

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.

4

Building trust

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

5

ETHICAL CONDUCT

We are committed to creating a strong ethical culture at GSK where putting patients first is the core principle of being an ethical pharmaceutical company. The management of GSK believes in complying with the Code of Corporate Governance in letter and spirit. This facilitates in promoting good governance practices in our organization and our core values of Respect for people, Patient focused, Transparency and Integrity underpin this belief.

Salient Features of the Code of Conduct

The main contents of the Code of Conduct are briefed below:

- 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.
- Employees to report any misconduct or violation of company policies whether resulting financial implications or not, without fear of retaliation or retribution.
- Undertaking the company business with free and open competition by complying with the competition law of the country.
- 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.

The Statement of Compliance with the Code of Corporate Governance has been presented on pages 42 to 43.

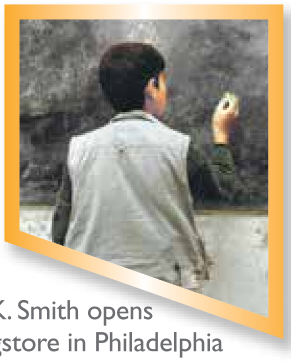
HISTORY OF GSK

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.

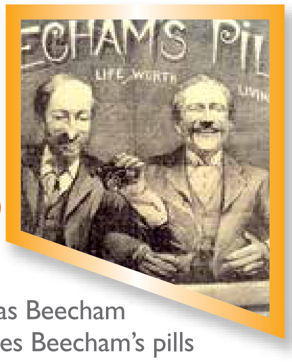
> "We're exceptionally proud of how far we have come, and in a world where the only constant is change, we are always thinking, adapting and growing."

1830



John K. Smith opens a drugstore in Philadelphia

1842



Thomas Beecham launches Beecham's pills in England

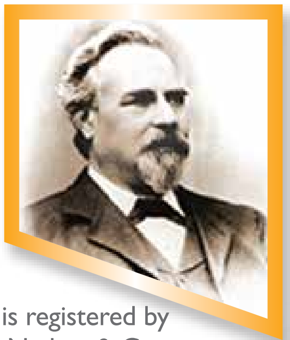
1880

Burroughs Wellcome & Company was founded

1891

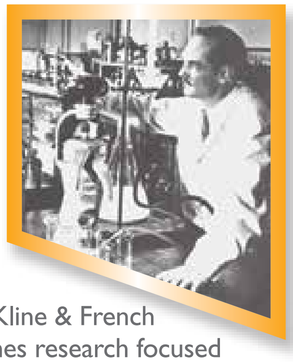
SmithKline & Co. acquires French, Richards & Company

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

GlaxoSmithKline

CORPORATE SOCIAL RESPONSIBILITY

GlaxoSmithKline is committed to a responsible, value based business which underlies all our efforts. Our operations are led by our values and principles where we put patients first in our decision making to ascertain that we help them "Do more, feel better and live longer".

In accordance with GSK's Corporate Responsibility Principle, we aim to make a positive contribution to the communities in which we operate, and invest in health and education programmes and partnerships that aim to bring sustainable improvements to under-served people in the developed and developing world.

At GSK, corporate citizenship is integrated at all levels of our work, from ethical research and development, environment protection and sound marketing activities to community support and development.

GSK IN THE COMMUNITY

Across the world we invest in programmes that increase access to health and wellbeing and improve outcomes for whole communities. Our commitment is unwavering and we will continue to invest in order to achieve our goals.

Our programmes include:

PULSE Volunteer Partnership

In 2012, GSK piloted four PULSE Pillar Projects to strengthen the depth of our partnerships and make a cumulative impact on key global health challenges. We have started the successful implementation of local PULSE hubs in numerous countries in order to further diversify our employee participation and promote local ownership of the PULSE mission in our emerging markets.

The fight against Malaria

GSK is determined to eliminate Malaria from the world through the African Malaria Partnership (AMP), and preferential pricing for anti-malarials in the least developed countries and sub-Saharan Africa.

Since the establishment of AMP in 2001, we have committed over £3 million on initiatives to combat the disease.

Approach to Neglected Tropical Diseases (NTDs)

More than one billion people are afflicted by one or more of the 17 NTDs listed by the World Health Organization (WHO). These diseases mainly affect people marginalized by poverty with minimal access to basic needs. In January 2012, GSK joined other global pharmaceutical companies and leading organizations in a new united effort to support developing countries to defeat NTDs.

EIRIS report awarded GSK the top 'A' rating

The Experts in Responsible Investment Solutions (EIRIS) report analyzed the corporate responsibility and sustainability performance of over 2,000 companies from the Financial Times Stock Exchange's All World Developed (AWD) Index. The report awarded GSK the top 'A' rating, ranking us fourth overall in recognition for our commitment to offering healthcare products and services.

CSR INITIATIVES BY GSK PAKISTAN

GSK Pakistan acknowledges the responsibility of corporate citizenship and endeavours to be in the forefront of various community partnership initiatives. At GSK, there is a high focus on CSR primarily in the areas of health, education and disaster relief as well as active engagement in the form of volunteerism.

As ongoing initiatives, GSK Pakistan partners with 2 charitable organizations that it has helped establish:

Trust for Health and Medical Sciences

A charitable clinic set up in 1983, the Trust for Health and Medical Sciences charges nominal fee for treating patients and has treated around 2.6 million patients since its inception. It has now matured into a large set up with numerous medical facilities like clinics designed specifically for patients suffering from diabetes, asthma and hypertension.

The Concern for Children Trust

An independent trust established with GSK's support in 1997, CFC takes part in community driven development projects and sustainable development through health and education in underserved communities. With GSK's support, CFC established the Mother Child Health Center (MCH) which provides medical services to approximately 75 patients a day including consistent low-cost healthcare services, screenings, referrals and access to primary and preventive healthcare practitioners.

Disaster Relief

Disaster relief programmes by GSK Pakistan, including the earthquake in 2005 and floods since the past 3 years, have been appreciated by the community at large whereby the company stepped up in times of need by partnering with agencies having grass root capability as well as NGOs with support in the form of essential medicines and food items.

GSK Vaccines

GSK is the global leader in vaccines and partners with agencies to help protect precious lives. With the support of the Global Alliance for Vaccines and Immunization (GAVI), GlaxoSmithKline introduced the pneumococcal vaccine to help protect millions of children every year from pneumococcal disease. GSK's Synflorix was introduced to protect over a 100 million children worldwide and it is a matter of great pride for GSK Pakistan to have helped the government meet the requirements for this initiative, including production of the vaccine cards and trainings amongst other efforts.

GSK's Orange Day 2012

GSK gives back to the community by dedicating time in the form of volunteerism; employees have been actively participating every year in GSK's Orange Day through educational programmes for children from underprivileged schools with the objective of providing them guidance and direction.

In 2012, GSK employees engaged with approximately 100 enthusiastic students from the SOS Children's Village Karachi for an educational and fun-filled day divided into one-on-one interactive career counseling, creative writing / drawing contest around the theme "My vision if I were the President of Pakistan", an engaging museum tour and singing competition.

GSK leveraged its strength of a diversified group of people from various academic backgrounds and 25 GSK employees, doing various roles across the organization, volunteered as counselors for the Orange Day 2012. Other volunteers were engaged in helping students through a creative writing / drawing contest in which students used pens, colours and their imagination to create some masterpieces about their vision for the country if they had all the power.

The students' keenness to learn more from professionals representing various fields that they wished to be a part of, was extremely encouraging for all participating employees who depicted their interest in future Orange Day events through feedback during and after the event.

GSK PHARMA LAUNCHES 2012

The year 2012 provided many growth opportunities and marked great milestones for GlaxoSmithKline Pakistan.

Launch Excellence: Getting it right, the first time, every time.

GSK Pakistan became the only company in the pharmaceutical industry to have 6 new launches in the industry top 20 out of the 439 new products launched in 2012. The products to which this milestone is attributed include Synflorix, Fixval, Theragran Ultra, Duodart, Priorix Tetra and Avamys.

The key launches in 2012 included:

Theragran Ultra

GSK's Vitamins portfolio strengthened its position in the market with the launch of Theragran Ultra, a comprehensive formulation with A-Z nutrients for good health and wellbeing. In today's hectic lifestyle with various stressors like occupational pressures and numerous social engagements, Theragran Ultra's unique formulation offers vitality and energy.

Valuprazole (Omeprazole)

Launched under the Value Health Initiative umbrella, Valuprazole has been a welcome addition to the company's Gastrointestinal portfolio. Valuprazole has proven efficacy in the treatment of GastroEsophageal Reflux Disease (GERD) and offers deep healing to patients who suffer from Acid Related Disorders and require more acid suppression for rapid and sustained relief.

Revolade (Eltrombopag Olamine)

A valuable addition to GSK's Oncology portfolio was made in 2012 with the launch of the first and only approved Oral Platelet Generator, Revolade (Eltrombopag Olamine). This innovative product reinforces GSK's commitment to R&D for increased patient benefit as it was developed through an extensive Clinical Trial Programme.

GSK PHARMA- REACHING NEW HEIGHTS

Other renowned products in GSK's portfolio achieved landmarks like the following:

The Billion League

Calpol (Paracetamol)

Calpol, a strong household pharmaceutical product, achieved the Rs. 1 billion landmark in 2012 and became the 15th largest value-wise product in the pharmaceutical industry of Pakistan. With Calpol's 40 year heritage of trust and efficacy, this billion milestone will help GSK to further ensure that maximum number of patients benefit from Calpol's first line treatment for fever and pain for both children and adults.

Velosef (Cephradine)

Velosef (Cephradine) a broad spectrum, bactericidal antibiotic active against both gram positive and gram negative bacteria achieved Rs. 1.5 billion in 2012. This achievement added to Velosef's strong legacy and reaffirmed its contribution in making GSK the leading pharmaceutical company in Pakistan.

GlaxoSmithKline

MEDICAL AFFAIRS

Aligned with GlaxoSmithKline's core value of "Patient Focused", the GSK Pakistan medical team launched a series of Scientific Engagement initiatives in collaboration with and endorsement from both local and international institutions. This initiative was taken forth with the aim to enhance Healthcare Professional's medical knowledge for better patient management. The Zinc Medical Approval System (MAPS), the first complete electronic alternative to the time-consuming promotional material approval process, was also launched in the year 2012. Zinc MAPS will help GSK keep pace with the current needs of the life sciences industry. On the R&D front, GSK has been the leader in Pharma clinical trials in Pakistan for many years and has now been allocated vaccines trials and other bioequivalence studies which will further strengthen the R&D portfolio.

STIEFEL

Stiefel, the global leader in the field of dermatology, remains a driven, pioneering force in the pursuit of tomorrow's skin health solutions. It is focused exclusively on skin health and 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, a GSK Company since 2008, continues to enjoy market leadership in dermatology in Pakistan and is committed to its goal of giving year on year growth in both prescription and non-prescription products.

GSK CONSUMER HEALTHCARE

GlaxoSmithKline's Consumer Healthcare business maintained its growth momentum in 2012 and successfully executed strategies for various brands. Despite numerous challenges, the sales growth was around 63% with brands like Sensodyne and Horlicks penetrating the market and grabbing significant shares.

The year 2012 marked a milestone for Panadol as the household analgesics brand achieved its highest ever market and prescription share.

Corega Denture Care Products in Pakistan

GSK CHC, in its effort to expand its footprint in the oral care category, launched a line of Denture Care products: 'Corega' in 2012. The product line comprises of Corega Super Taste Free Fixative Cream and Corega Full Denture Cleanser Tablets.

The brand was activated using all three levers of communication: consumer connections, expert connections and shopper connections.

Sensodyne Rapid Action Launched in Pakistan

Sensodyne had entered the Pakistani market in 2011 and witnessed an outstanding consumer response as it became the leader in the tooth sensitivity market. In order to maintain the brand's leadership, it was decided to change the game in oral care and bring in the sensitivity expert: "Sensodyne Rapid Action" in 2012.

Sensodyne Rapid Action was launched with the unique selling proposition of guaranteed relief from sensitive teeth in 'just 60 seconds'. The launch encompassed an extremely rigorous integrated marketing communication plan which used traditional media vehicles in contemporary and creative ways to create a buzz in the market.

Within months, Sensodyne Rapid Action has become synonymous with the rescuer of sensitivity sufferers in Pakistan contributing to the 145% growth of the brand in 2012.

QUALITY MANAGEMENT SYSTEM

A framework is provided by the QMS that ensures regulatory compliance, assures product safety, quality and efficacy and supports continuous improvement.

It is derived from the good quality management concepts, GMP regulations, wider industry guidance and knowledge from subject matter experts across GSK.

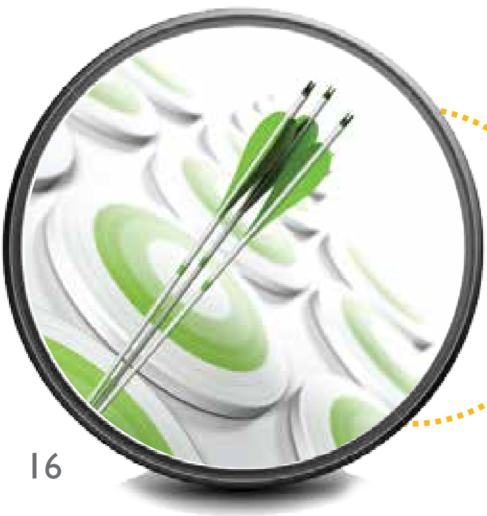
The QMS is embedded across GSK by implementation within local quality systems.

Quality is at the heart of all activities that support the discovery, supply and marketing of products to our patients and customers.

Quality is critical to building trust with society and, therefore, to our future business success.

Milestones 2012 - Quality at the heart of our every action.

- Conducted distributor conference to disseminate information about GSK's quality standards and requirements to all GSK approved distributors.
- Requisite audits of all warehouses and distributors for continuous improvement.
- Commercial Quality Council conducted to highlight QMS based risks, issues and their resolutions.
- Product Incident and Recall Refresher Trainings conducted for all Board of Directors and Local Incident Committee.
- Best practices adopted at all warehouses including cold chain warehouse for the storage of Vaccines and lyophilized products as well as continuous temperature monitoring system with alarms in case of temperature excursion.
- Water hydrant plant installed at Islamabad warehouse along with an enhancement of capacity to ensure uninterrupted supply to customers.



Quality Means Control

ENVIRONMENT, HEALTH & SAFETY

GlaxoSmithKline Pakistan is committed to leadership and excellence in EHS. By establishing clear expectations, demonstrating personal commitment and integrating EHS into business decision-making, the company continues its endeavours to ensure that improvements in EHS performance are delivered. All GSK sites in Pakistan are in full compliance with National Environmental Quality Standard (NEQS).

Living the safety culture has been promoted across GSK Pakistan through adoption of industry's best practices with the aim of developing common understanding across all tiers of management.

The year 2012 witnessed an enhanced emphasis on near miss reporting that resulted in significant increase in the number of reporting across all sites. Machinery safety programme was successfully implemented at all GSK Pakistan sites with the aim of eliminating machine related accidents. Process safety has been one of the major blue chips for GSK Pakistan this year with focus on preventing and mitigating risks of fire and explosion which could have catastrophic consequences to personnel safety, business continuity, etc.

Sustainability is at the heart of our business operations; the company remains committed to reducing its carbon foot print and water consumption. This year, water kaizens were held across all sites with the aim of identifying projects that support GSK's corporate target of 20% reduction in water consumption by 2015. Waste water treatment plants are installed at all the sites complying with NEQS.

GLOBAL MANUFACTURING AND SUPPLY

Lactam Facility at Korangi

In 2012, Cephalosporin products were consolidated at a new state-of-the-art Lactam Facility built in Korangi, Karachi. This facility has been inspected and approved by the Drug Regulatory Authority, the inspection panel of which appreciated the design of the facility especially with regards to the materials, personnel flow and the Good Manufacturing Practices (GMP) controls.

Ventolin's Hydro-Flouro Alkane (HFA) Project

Ventolin has been one of GlaxoSmithKline's leading brands in the respiratory portfolio for over 30 years as a household name for asthmatics and physicians.

The Montreal Protocol on substances that deplete the ozone layer was enforced in 1989 to manage the global elimination of Chlorofluorocarbons (CFCs) and other ozone-depleting substances. For decades, CFCs were used as the most suitable propellant in Metered Dose Inhalers (MDIs) but they were subsequently identified as contributing to ozone destruction and damage to the ozone layer.

In full support of the Montreal Protocol, GSK took the initiative of eliminating the use of CFC in all MDIs before the end of 2011.

In Pakistan the period was further extended to 2013 for the eradication of CFC containing MDIs whereby GSK Pakistan took this important health concern seriously and went for discontinuation of CFC based Ventolin inhalers by subsequently introducing HFA based formulation so that the patients can still get the drug in a better and safer form. A new plant has been set up at the West Wharf site and all allied equipment has been installed and commissioned. Full commercial production is expected to commence in Q4, 2013.

In 2010, CFC inhalers were replaced with imported salbutamol formulation by the trade name of "Aerolin". GSK Pakistan also collaborated with Ministry of Environment and United Nations Development Programme (UNDP) to create awareness about Montreal Protocol and the hazardous effects of CFC gases.

Spansule Manufacturing - Capacity Enhancement at West Wharf

GlaxoSmithKline Pakistan specializes in the unique technology of spansule manufacturing; in an effort to cater to the increasing demand for spansule products and to achieve operational efficiencies, the facility at the West Wharf site has been enhanced and is now fully operational.

Zero Access Guarding (ZAG) / Lock-Out Tag-Out (LOTO) Programme

An ambitious programme of physical guarding and Lock-Out Tag-Out, zero access to any hazardous condition, was launched in 2012 with the aim of avoiding injuries due to moving parts.

Zero access risks for production machinery have been mitigated while milestones and objectives related to ZAG/LOTO have been achieved at all sites in Pakistan.

Highlights
2012

AWARDS FOR THE YEAR 2012

GSK recognized for its Investments in Pakistan

GlaxoSmithKline Pakistan received an award for its Highest Investment in Pakistan over the past two years. This award was presented at the Annual Lunch of the Overseas Investors Chamber of Commerce & Industry (OICCI) by the President of Pakistan, His Excellency, Mr. Asif Ali Zardari in December, 2012.

Corporate Excellence Award

GlaxoSmithKline Pakistan received the Management Association of Pakistan (MAP)-Corporate Excellence Award in the Pharma and Biotech Category in 2012. The mandate of MAP is to further enhance management thought, practice and advocacy and this award recognizes the best managed companies in Pakistan that follow guidelines and principles of the latest management techniques.

Global Brand Edge Award

Every year, the Consumer Healthcare Leadership Team from across the globe congregates to review some of the most outstanding work that various markets have executed.

Panadol from Pakistan was nominated for the Brand Edge Award in 2 out of the 7 categories, competing against 30 nations and was selected as the winner in ‘Best Expert Connections’, beating runners-up: Canada and Japan. Panadol’s expert marketing initiatives in Pakistan received global recognition and were praised for sound planning and flawless execution.

Marketing Excellence Awards

The objective of the APJEM Marketing Excellence All Stars Awards is to recognize GSK marketeers’ outstanding work from across Asia Pacific Japan Emerging Markets on 6 categories based on the quality of the initiatives. The GSK Pakistan marketing team was awarded 3 All Stars Marketing Excellence Awards as winners in 2 categories and runners-up position in 1. The categories in which GSK Pakistan won these awards included Digital Excellence, Excellence in Segmentation, Targeting, Positioning and Successful Implementation of a “shared best practice” concept.

Environment Excellence Award

GSK Pakistan was awarded the “9th Annual Environment Excellence Award” in the category of Top 10 Exemplary Leaders by an independent NGO, National Forum for Environment and Health (NFEH). GSK has been awarded this prestigious award for the fourth consecutive year. The NFEH and the Fire Protection Association of Pakistan (FPAP) also awarded GSK Pakistan the “2nd Fire & Safety Excellence Award” in 2012.

GROW PEOPLE, GROW BUSINESS, GROW EMAP

The growth of GSK Pakistan is associated with the development of its people. Aligned with the business ambitions, GSK is committed to accelerating the growth and enhancing the quality of leadership talent.

The activities and initiatives undertaken during 2012 were all driven with strong consideration for building leadership strength and talent for a healthier succession pipeline.

Talent Acquisition & Development

GSK's recruitment drive 2012 targeted business schools and universities in Pakistan with the objective of attracting young and talented minds for a bright career with the company and further strengthening our relationship with the universities in Pakistan.

The "Accelerated Development" Management Trainee Programme was successfully launched focusing on selected graduates to be groomed to become future business leaders.

International Training Programmes

Leading Delivery and Practical Coaching in the Workplace marked two international trainings for GSK Pakistan.

The audience of Leading Delivery included leaders from Consumer Healthcare, Commercial and GMS. The Leading Delivery training encompassed cross functional leaders engaged in structured discussions and interesting simulations.

Practical Coaching in the Workplace was a 3 day workshop aimed at building a coaching development experience for around 39 participants from across the organization and focused on developing skills, behaviours and mindsets required for coaching.

PULSE

PULSE, a GSK programme centered around skill-based volunteering that enables employees to make a sustainable difference in communities and patients in need, was launched in Pakistan in 2012. The programme empowers employees to develop their leadership capabilities and live GSK behaviours while volunteering with a non-profit organization full-time for a period of 6 months, after which employees return to GSK with a fresh external perspective to help make a significant impact to the business.

Talent Export – Key Talent Identification

GSK Pakistan takes great pride in its talent and provides opportunities for employees' development and progression. In 2012, key talent was identified and put through regional assessments and interviews. Key talent throughout the organization was also identified for maintenance of active development plans for their future growth in the organization.

Employee Engagement

GSK Survey is a powerful tool used to gauge the levels of employee engagement in GSK against various indices. In 2012, 1,246 respondents participated in the survey compared to 202 in 2009. Pakistan scored well in this survey especially on employee engagement, followed by sustainability and resilience, values and empowerment.

HR Effectiveness

The MEA HR Effectiveness project addresses the continuous improvement measures for the HR services across all MEA markets based on 4 metrics of Service Centre Tracking, Customer Experience Survey, HR Effectiveness Survey and Customer Board Meeting.

The salient feature of this project included the key highlight that 11 MEA markets participated with all business units and Pakistan held the 2nd highest score out of all these MEA countries.

DIRECTORS' PROFILE

Mr. M. Salman Burney

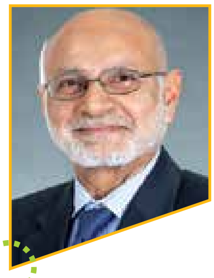
Mr. Salman Burney is the VP/GM for GSK Pakistan, Iran and Afghanistan. He joined the company in 1992 as Director Marketing & Sales and was appointed MD, SmithKline Beecham in 1997 with additional responsibility for Iran and the Caspian Region. He held the position of VP/GM for GSK in Pakistan at the 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 the government on various issues.

Mr. Rafique Dawood

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

Mr. Husain Lawai



Mr. Husain 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. Husain Lawai is now also a Board Member of State Life Corporation.

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 qualified as a Barrister from the Hon'ble Society of Lincoln's Inn. He has been in commercial law practice for over 28 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.

Ms. Fariha Salahuddin

Ms. 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 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. Shahid Mustafa Qureshi

Mr. Shahid Mustafa Qureshi holds Masters degrees in Law and Public Administration from renowned universities and is an Executive 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.

Ms. Erum Shakir Rahim

Ms. Erum Shakir Rahim started her career in the media and worked in both 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. Maqbool ur Rehman

Mr. Maqbool ur Rehman joined the Company in 1975 and 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 II, Afghanistan Business and Animal Health Division. He 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. Yahya Zakaria

Mr. 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. (PwC Pakistan). Yahya has been associated with GSK Pakistan for over eight years and is presently working as Director Finance for Pakistan, Iran and Afghanistan. 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.

Dr. Muzaffar Iqbal

Dr. Muzaffar Iqbal joined Glaxo in 1987, and after having worked at various positions, was appointed Technical Director GlaxoWellcome in1998. He had the opportunity to look after GMS Sri Lanka and GMS Chittagong and as Technical Director GSK, had responsibility 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.

BOARD & MANAGEMENT COMMITTEES

Board Structure and Committees

The Board of Directors

The Board of Directors of the company is the custodian of governance within a company. Keeping in view these requirements, the company has on its board extremely capable and dedicated personnel who have the experience, expertise, integrity, and strong sense of responsibility required for safeguarding of shareholders' interest. The Board reviews the performance of the business, participates in capital expenditure appraisals, investments and disinvestment of funds, determination and delegation of financial powers and transactions or contracts with related parties etc.

Board's Performance Review and Continuous Professional Development

All the members of the Board have been provided with an orientation course upon their joining to apprise them of their roles and responsibilities.

Membership and Attendance

The names of members of the Board of Directors, attendance in Board meetings held during the year and their profiles' are detailed on page 26 of the Directors' report.

Audit Committee

Terms of Reference

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

Report of the Audit Committee

With the aim of enhancing confidence in the integrity of GSK's processes and procedures relating to internal control and corporate reporting, the following items were the main highlights on the agenda during the year:

- The revised Code of Corporate Governance 2012
- Risk Management Processes of GSK Pakistan Limited
- GSK's Anti-Bribery and Anti-Corruption Programme
- Related party purchase transactions and the status of Tax cases
- Crisis Management and Business Continuity
- Operational Performance Review
- Review of Internal Audit activities

Human Resource and Remuneration Committee

Terms of Reference

The Committee formed in October 2012 will meet for the first time in 2013. The Committee members including the Chairman have agreed to prepare the draft terms of reference for the Committee so that the same may be discussed and adopted.

The committee will be primarily responsible for recommending human resource policies, recommending the selection evaluation and remuneration of CEO, CFO, Company Secretary, Head of Internal Audit and senior management who are reporting directly to the CEO.

Management Committees

Management Committee

Terms of Reference

The Management Committee ensures smooth operations of the company, engages in 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

Members and Terms of Reference

The Risk Management & Compliance Board comprises of the Functional Heads and the Chief Internal Auditor. It reviews significant risks affecting the business, including strategic, 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

Members & Terms of Reference

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 programmes 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 has the pleasure to present before you the Annual Report along with the Company's audited financial statements for the year ended December 31, 2012.

This Directors' Report has been prepared in accordance with section 236 of the Companies Ordinance, 1984 and clause xvi of the Code of Corporate Governance 2012 and is to be submitted to the members at the Sixty Sixth Annual General Meeting of the Company to be held on April 18, 2013.

Operating results

	Rs. in million
Profit for the year before taxation	2,312
Taxation	(992)
Profit after taxation	1,320
Un-appropriated profit brought forward	2,532
Profit available for appropriation	3,852
Appropriations:	
Final dividend 2011	
- Cash	(957)
- Bonus	(239)
Un-appropriated profit carried forward	2,655

The Net sales of the Company grew by 6.4% during the year to Rs. 23.1 billion. Profit after tax in this year was Rs 1.3 billion.

The Board of Directors is pleased to propose a final cash dividend of Rs. 4 per share amounting to Rs. 1,052.8 million and issue of 10 bonus shares for every 100 shares held (10%).

Holding Company

As of December 31, 2012, S.R. One International B.V., Netherlands held 202,628,606 shares of Rs. 10 each. The ultimate parent of the company continues to be GlaxoSmithKline plc, UK.

Pattern of Shareholding

The Company's shares are traded on the Karachi and Lahore stock exchanges. The shareholding information as of December 31, 2012 and other related information is set out on pages 84 to 86.

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

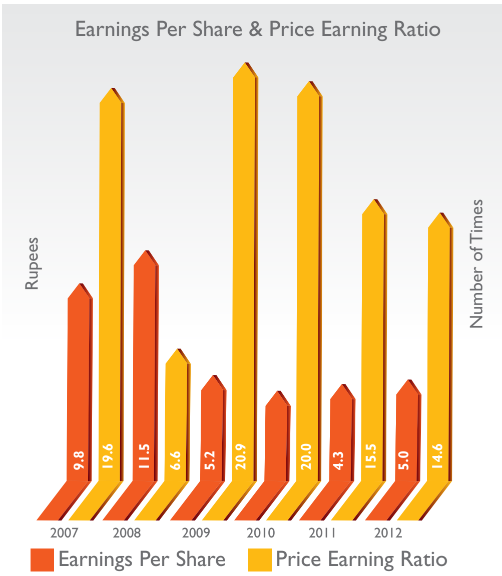
The Chairman / Chief Executive's review on pages 29 to 31 deals with:

- Performance of the company during the year and significant changes from the previous year along with reasons
- 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. 5.02 (2011: Rs.4.33).



Corporate Social Responsibility (CSR)

GlaxoSmithKline has a strong CSR commitment and participates in community development projects nationally. Our core CSR philosophy is targeted towards the support of programmes that focus primarily on health, education and disaster relief as well as active engagement in the form of staff volunteerism.

One of the highlights of 2012 was GSK's Orange Day whereby employees engaged in an educational counseling programme for around a 100 children from underprivileged schools in Karachi with an objective to provide the students guidance and direction in the form of one to one interactive career counseling sessions and engage in a creative writing/drawing competition.

GSK's participation in various community support projects ranging from education to healthcare and humanitarian aid are mentioned from pages 08 to 11.

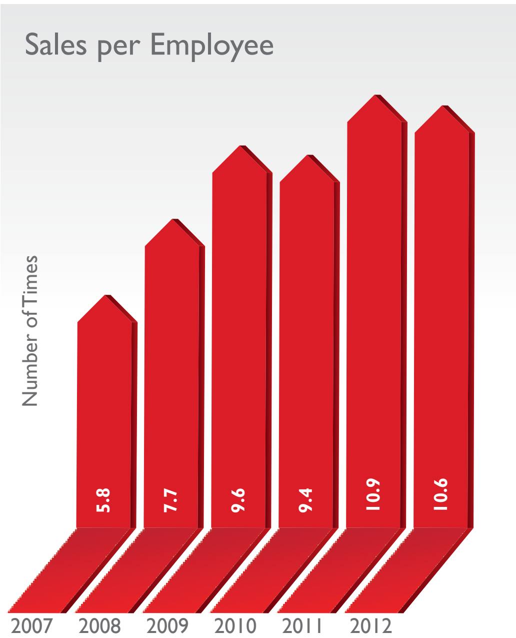
Human Resource Development and Succession Planning

GSK is committed towards strengthening its leadership pipeline through developing the capabilities of its existing talent and attracting young and dynamic minds for our future talent pool.

In 2012, GSKP launched an upgraded Talent acquisition and development program, rolled out international trainings and also introduced a skill based volunteering initiative for its employees. Moreover, key talent was nominated and participated in international assessments which gave them an opportunity to be considered for and assigned to roles across different markets.

Furthermore, GSK takes employee development as crucial to its success and emphasizes on succession planning throughout the organization that focuses on employee training, cross functional job rotations and work procedures to provide guidance relating to any process taken up by a new employee.

Our focus for 2012 also encompassed improving and sustaining employee engagement levels across the organization which remains high as reflected in employee survey.



Environment, Health and Safety (EHS)

GSK remains committed to leadership and excellence in EHS and endeavors to ensure improvements in EHS performance are delivered in a way that also enhances GSK's competitive advantage. All GSK sites in Pakistan aim to operate in full compliance with National Environmental Quality Standards, including those on waste water treatment and discharge to public sewer systems.

A Safety culture has been promoted across the board by adoption of industry best practices. A Machinery safety program was successfully implemented at all GSK Pakistan sites with the aim of eliminating machine related accidents.

Our contribution to Environment, Health and Safety has been accorded due recognition. For the fourth consecutive year, we won the "Annual Environment Excellence Award", given by the National Forum for Environment and Health (NFEH), an independent NGO in the category of Top 10 Exemplary Leaders. The NFEH and the Fire Protection Association of Pakistan (FPAP) have also awarded GSK Pakistan the "Fire & Safety Excellence Award" in 2012.

Sustainability is at the heart of our business operations; company remains committed to reducing its carbon foot print and water consumption. Projects have been identified across all sites to achieve target of 20% reduction in water consumption by 2015.

Business Ethics and Anti-Corruption Measures

GSK considers performance with integrity as the central core of its operations. The Board of Directors of the company has set down the acceptable business practices and behaviours in a "Code of Conduct/Statement of Ethics and Business Practices" to promote integrity and ethics. The Code has been disseminated and signed by all company employees, including the senior management and Board and is also available on the company's website. Salient features of the Code of Conduct are provided in brief on page 06.

Board of Directors' Meetings and Attendance

The Board of Directors met four times in 2012; each member's attendance at these meetings is listed below:

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

*Mr. Abdul Samad (Financial Controller) attended the first quarterly meeting on April 20, 2012 in the absence of Mr. Yahya Zakaria.

**Dr. Muzaffar Iqbal was working as executive director till November 15, 2012.

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

It was decided in the Audit Committee meeting that two directors will complete the training required under the Directors' training program as per clause xi of the Code of Corporate Governance 2012 by Quarter 2 of 2013.

Audit Committee

An Audit Committee has been in existence since May 2002. The Committee consists of three members, all of whom 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 five (05) meetings during the year.

An independent Internal Audit function headed by the Chief Internal Auditor and reporting to the Chairman / Chief Executive and 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. The terms of reference of the Committee are provided on page 24.

Human Resource and Remuneration Committee

A Human Resource & Remuneration Committee was formed in October 2012 in line with the requirements of Code of Corporate Governance 2012, comprising of 5 members, the majority of whom are non-executive directors. No meetings were held in the current year. The terms of reference of the Committee are provided on page 24.

Management Committees and Risk Management, Governance and Classification

To achieve continuing operational excellence in our business, management committees have been formed within different areas of the business including GMS, Consumer Health Care and Commercial. These oversee operational progress in the respective areas.

In addition, a Risk Management and Compliance Board (RMCB) oversees and is responsible for identifying, monitoring, assessing and mitigating significant risks associated with the overall business.

This Internal Control Framework aims to ensure that significant risks are reviewed and monitored and specific issues and incidents (e.g., a compliance failure) are adequately followed up. The Risk Management group, in conjunction with Corporate Ethics & Compliance also uses its system of controls to protect the company's assets and ensure compliance with applicable legal requirements.

In this structure, designated Risk Owners are responsible for ensuring that management processes are in place and mitigating relevant risks in their areas. In addition, the Company's Compliance Officer also facilitates the implementation of a sound system of internal controls.

Risks are broadly classified as follows:

Strategic Risks – those which can pose a significant threat to meeting the business objectives and are outside of entity's control. Currently the strategic risk being faced by the Company relates to the overly restrictive price regime and absence of a general pricing policy which is yet to be formulated by the Government. The Company is countering this risk to operating margins through internal cost saving initiatives and optimum product mix in its sales strategy whilst continuing to lobby for a pricing policy.

Operational and Commercial Risks – those which hinder the entity from running its operations smoothly or relating to the commercial nature of the industry.

Our main operational risks are supply continuity which relates to the poor security environment in the country, foreign currency devaluation / inflation and the potential for fraud and error. These risks are being managed through active product and stock planning in coordination between commercial and manufacturing teams, adequate segregation of duties, job rotations and employee empowerment. In GSK's case, the challenge from competition is countered through effective brand building and investment in capacity enhancement / plant up-gradation to maintain high quality manufacturing, whilst providing affordable healthcare solutions in order to maintain the Company's market share.

Financial Risks – those that may cause financial loss to the entity. These are described in more detail in note 37 of the financial statements.

Risks are categorized using the following framework for prioritization:

Degree	Likelihood	Impact
5	Almost certain	Catastrophic
4	Likely	Major
3	Moderate	Moderate
2	Unlikely	Modest
1	Rare	Minor

Auditors

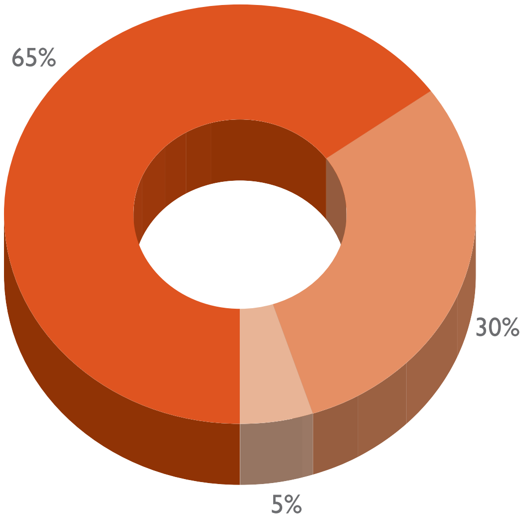
The present auditors, Messrs A.F. Ferguson & Co. Chartered Accountants, retire and being eligible, have offered themselves for re-appointment. The Board of Directors endorses recommendation of the Audit Committee for their re-appointment as the Auditors of the company for the financial year ending December 31, 2013, 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 and gratuity funds based on un-audited accounts as of December 31, 2012 (audit in progress) were as follows:



2012
Rupees. In '000

Provident Funds	1,921,633
Gratuity Funds	893,637
Pension Funds	126,057

Contribution to National Exchequer and Economy

Your Company made a total contribution of Rs 2,507 million to the National Exchequer by way of taxes, levies, excise duty, sales tax and development surcharge during the year 2012.

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 account 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 34 to 36.

By order of the Board

M. Salman Burney
Chairman / Chief Executive

Yahya Zakaria
Chief Financial Officer

Karachi
February 18, 2013

CHAIRMAN/CHIEF EXECUTIVE'S REVIEW

I am pleased to present the Annual report of your Company for the financial year ended December 31, 2012.

Overview of Economy & Business

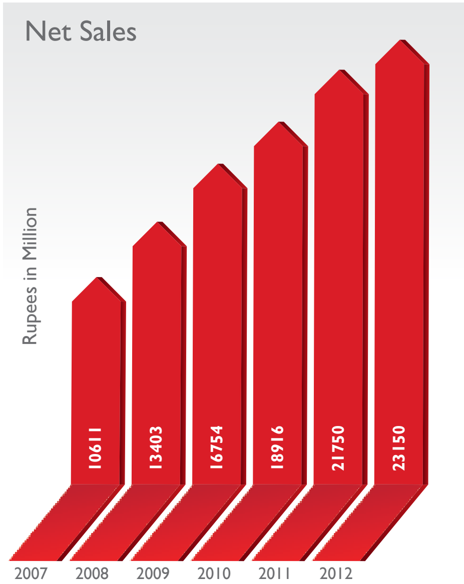
Pakistan's economy continued to face numerous challenges during 2012 from the impact of devaluation, a poor security situation and an energy crisis resulting in shortages and higher costs of utilities. The Pharmaceutical industry which is illogically and unfairly restrained from price adjustments to offset cost increases was forced to internalize the negative impact of all these factors. Several cost savings and commercial operational initiatives helped the company to reduce the impact on business operations, but margins continued to be eroded. A transparent and balanced regulatory and pricing policy is now urgently needed to sustain investment in this industry, and to ensure the availability of quality, affordable medicines in the country.

Despite significant challenges to the industry and our business, many of which could have been avoided by proactive government action, the company maintained a growth and retained its position as the leading pharmaceutical Company in Pakistan in terms of value, prescription and volume share.

Business Review

Net sales of Rs 23.1 billion during 2012 recorded an increase of Rs.1.4 billion representing 6.4% over last year. The Central Nervous System, Cough & Cold, Dermatology, Haematinics and Respiratory segments as well as key Antibiotics Brands recorded good growth.

The current year's sales were affected by a number of adverse factors. These included the suspension of Pseudoephedrine raw material import quotas by the Narcotics Board (which resulted in sales loss in excess of Rs 350 million) as well as lower government spending on large tenders and our own voluntary discontinuation of production of CFC containing products in line with global guidelines and conventions. These negative impacts diluted the positive effect of successful launches of new products in both the Pharma and Consumer segments of the business. Excluding the effect of these issues the underlying sales growth of the Company was over 10% for the year. The Consumer Health Care business continued to progress with robust sales growth of 12.4% over the last year, achieving overall sales of Rs 2.7 billion. Panadol, Sensodyne, Horlicks, Eno and Iodex remained the main growth contributors reflecting enhanced brand investment. The Sensodyne & Horlicks ranges saw new line introductions and launches during the period which should deliver further growth in the future.



Export sales, primarily to regional markets continued to perform well and grew to Rs 802 million, reflecting an increase of 10.3% over the previous year.

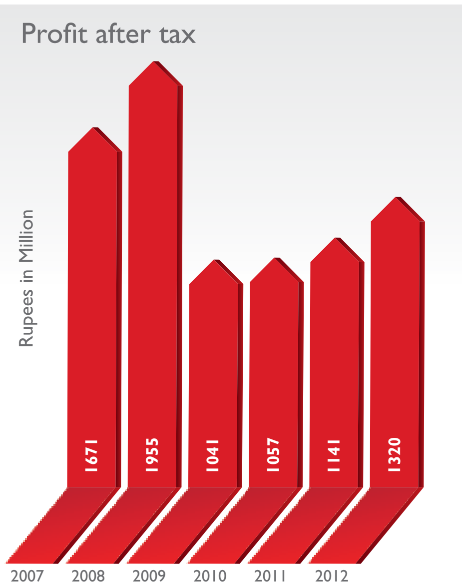
Gross margins for the year at 26.3% were marginally lower than last year, due to factors enumerated earlier. These factors had a significant negative impact on the costs of goods. The price adjustments on certain products granted by the Government had limited impact and were insufficient to offset these negative effects which continue to erode margins of your Company over the years.

Selling, marketing and distribution expenses at Rs 3.0 billion increased by Rs 256 million (9.2%). Other than the increased promotional investments in developing our new and core consumer brands, the other business segments were able to rationalize cost of operations to remain below the previous year's levels.

Administrative expenses amounted to Rs 771 million decreasing by Rs 251 million (24.6%) over the previous year. This decrease reflected the one off costs incurred in 2011 in rationalizing the company's manufacturing capacity with consolidation of cephalosporin sterile and oral production in a single upgraded facility.

Other operating income was recorded at Rs 289 million decreasing by Rs 173 million over the last year. Interest income decreased by Rs 184 million due to reduction in surplus funds consequent to the dividend payout and capital expenditure on plant up-gradation / capacity enhancement, coupled with decline in the discount rates over last year. This was partly offset by the gain on disposal of Rs 49 million relating to a leasehold land in Faisalabad considered surplus to the requirements of the Company.

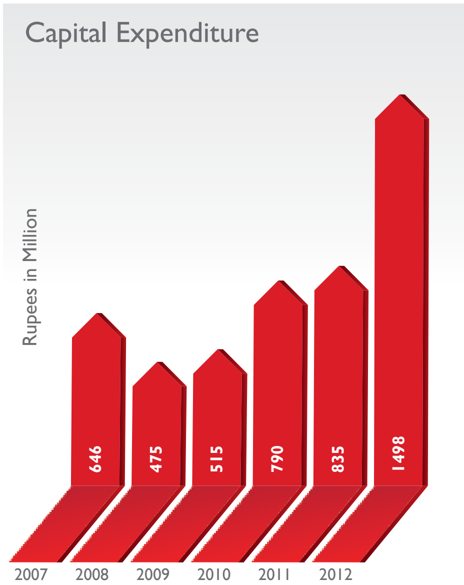
The Company earned Net profit after tax of Rs 1.3 billion showing an increase of Rs 179 million (15.7%) over the corresponding last year.



Cash Flows & Capital Expenditure

The Company's cash requirements are largely met through internal cash generation without reliance on short term borrowings. Liquidity management is in place to ensure availability of funds as required by the business. The investment of surplus funds is managed prudently through investments in government securities and deposits with high credit-rated banks to ensure market competitive yields within a well diversified and secure portfolio.

Net cash flows generated from operations were recorded at Rs 2.2 billion, increasing by Rs 2.1 billion over last year, mainly reflecting initiatives taken for working capital optimization, in particular inventory reduction. These surplus funds were utilized on increased capital investments for facility improvements & capacity enhancement initiatives (2012: Rs 1.5 billion; 2011: Rs 835 million), improved warehousing , purchase of vehicles and an enhanced dividend payout. At the end of the year the Company's surplus funds' position comprising of cash and cash equivalents amounted to Rs 2.3 billion, which was the same level as the previous year.



Dividends

The Company maintained its history of providing reasonable returns and payouts to its shareholders. The Board of Directors of the Company, in their meeting held on February 18, 2013, have proposed a cash dividend of Rs. 4.0 (2011: Rs. 4.0) per share and also an issue of 10 bonus shares for every 100 shares held (2011: 10 bonus shares for every 100 shares held). Overall dividend payout for 2012 at Rs 1,052 million will be 10% higher than 2011, reflecting the higher equity base.

Future outlook and Challenges

Your Company continues to actively invest in the development of new products as well as building on its diversified portfolio of existing brands. This is in line with the Company's focus on creating sustainable value for our shareholders and providing new and affordable healthcare solutions to patients.

In line with our growth & diversification strategy, the Company continues to invest in the Consumer Health Care Business and in our leading consumer brands to ensure that this segment establishes its footprint in Pakistan and grows to potential, adding value to the business.

The Pharmaceutical industry, faces challenges from having had to absorb increasing costs over a decade without corresponding price adjustments. This consistent pressure on costs together with the constant weakening of the rupee, energy shortages & security challenges will challenge the already weak margins of the business going forward, posing a serious issue to profitability & sustainability. The setup of the Federal Drug Regulatory Authority by the government was a step in the right direction, but many issues in particular the critical issue of a transparent pricing policy remain unresolved. Moving forward it is imperative that the Government and the Authority address the issues that the industry is facing in a timely manner and transparently streamline registration and pricing procedures to allow predictability and an adequate return on investment.

The Pharmaceutical industry has a great potential for growth locally and in terms of exports and a little effort for upgrading regulatory policy and manufacturing standards can make a huge difference in creating the right equilibrium between affordable quality healthcare for consumers and the essential commercial interests of the 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 limited 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

The Company's success is due to our talented, passionate and dedicated employees who are committed to do more, outperform the competition and help run the companies' operations smoothly in these difficult times.

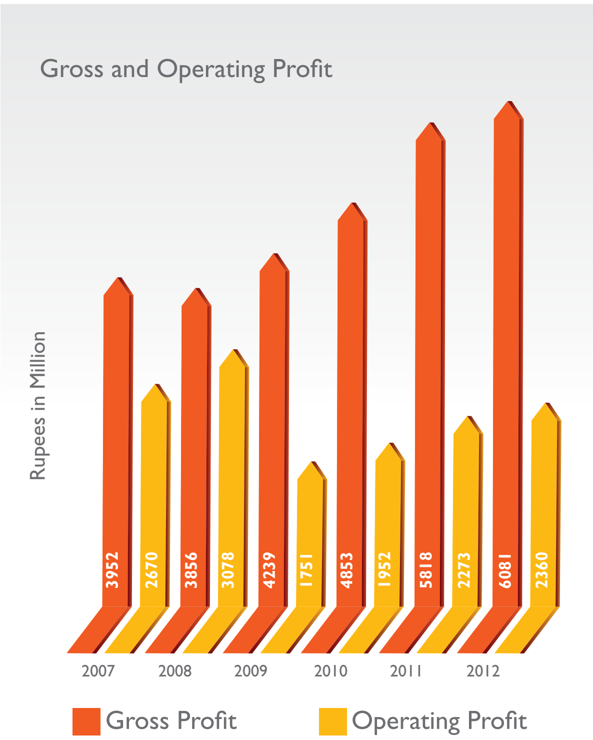
On behalf of the Board, I would like to express my sincere appreciation to all team members, our valued customers and our shareholders for their continuous support and look forward to delivering results for all our stakeholders in the future.

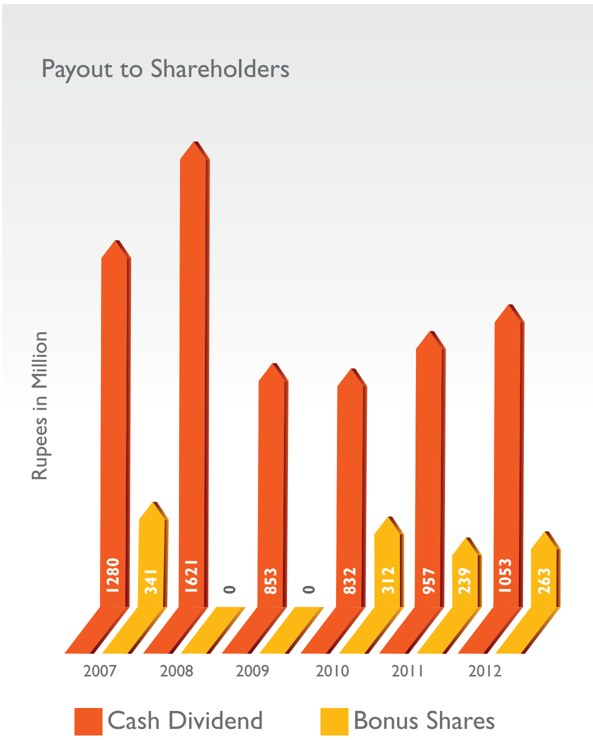
M. Salman Burney
Chairman / Chief Executive
Karachi
February 18, 2013

FINANCIAL PERFORMANCE AT A GLANCE

	2012	2011
	Rupees in million	
Net sales	23,150	21,750
Gross profit	6,081	5,818
Operating profit	2,360	2,273
Profit before taxation	2,312	2,237
Taxation	992	1,096
Profit after taxation	1,320	1,141
Dividend - cash*	1,052.8	957.1
- per share - Rs.	4.0	4.0
- Issue of bonus shares	263.2	239.3
Paid-up Capital	2,632.0	2,392.7

* 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.



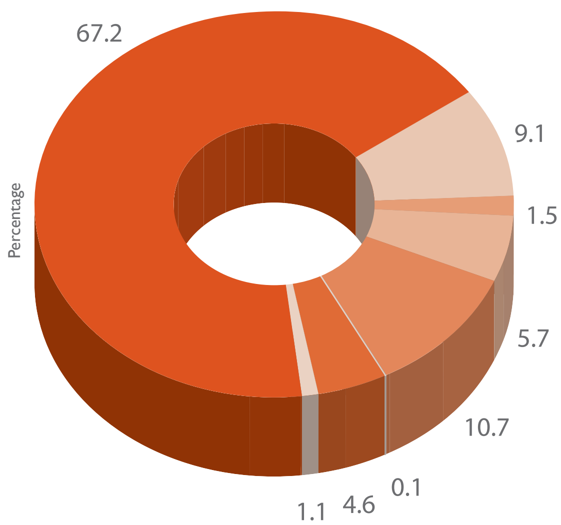


STATEMENT OF VALUE ADDED

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

	2012 Rs. '000	%	2011 Rs. '000	%
Revenue Generated				
Total revenue	23,612,016	100.0	22,337,669	100.0
Revenue distributed				
Bought-in -materials and Services	15,869,583	67.2	14,763,699	66.1
Selling, Marketing and Distribution Expenses	2,160,108	9.1	1,982,381	8.9
Administrative Expenses and Financial Charges	362,609	1.5	647,212	2.9
Income tax	992,000	4.2	1,095,972	4.9
Worker's funds and Central research fund	192,617	0.8	194,066	0.8
Sales tax	172,845	0.7	125,595	0.6
To Government	1,357,462	5.7	1,415,633	6.3
Salaries,Wages and other benefits	2,519,147	10.7	2,372,683	10.6
To Employees	2,519,147	10.7	2,372,683	10.6
Donations	23,011	0.1	15,145	0.1
To Society	23,011	0.1	15,145	0.1
Cash dividend*	1,052,784	4.6	957,077	4.3
To Shareholders	1,052,784	4.6	957,077	4.3
Retained in the Business	267,312	1.1	183,839	0.8
	23,612,016	100.0	22,337,669	100.0

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

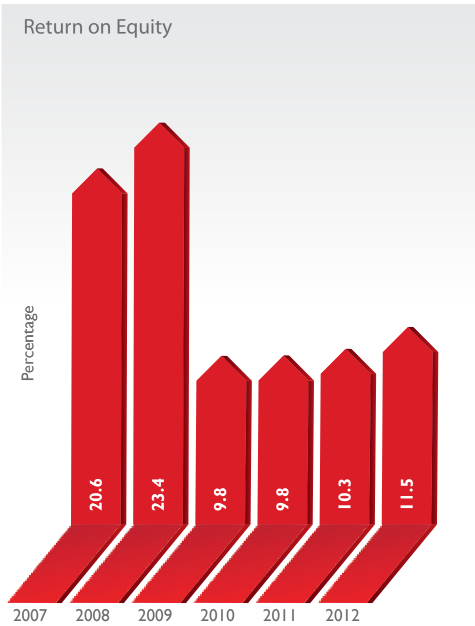


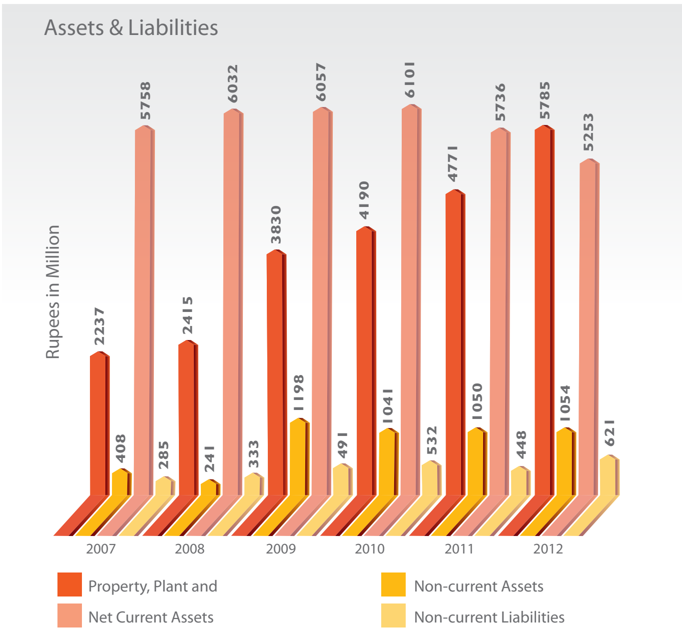
Revenue and its Disposal

	%
Bought-in-materials & Services	67.2
Selling Marketing and Distribution Expenses	9.1
Administrative Expenses and Financial Charges	1.5
Government	5.7
Employees	10.7
Society	0.1
Shareholders	4.6
Retained in the Business	1.1

KEY OPERATING AND FINANCIAL DATA

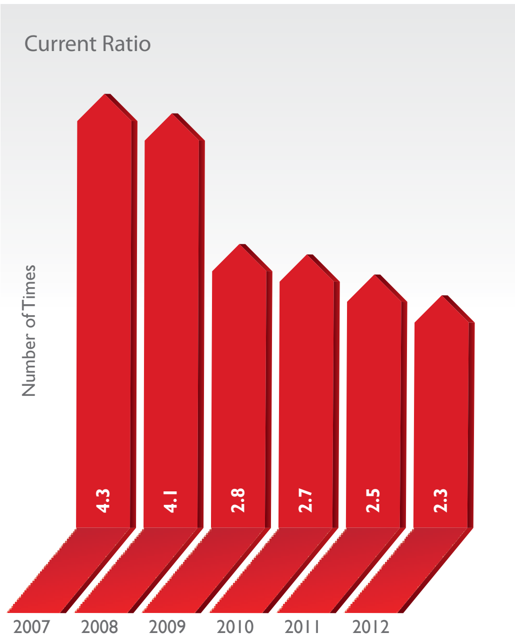
Balance Sheet	2007	2008	2009	2010	2011	2012
			Rupees in millions			
Assets employed						
Fixed Assets - property, plant and equipment	2,237	2,415	3,830	4,190	4,771	5,785
Intangible - goodwill	-	-	956	956	956	956
Investments		347	172	169	-	-
-						
Long-term loans and deposits	61	69	73	85	94	99
Net current assets	5,758	6,032	6,057	6,101	5,736	5,253
	8,403	8,688	11,085	11,332	11,557	12,092
Less: Non-Current Liabilities						
Staff retirement benefits - Staff gratuity	23	21	73	115	20	50
Deferred taxation	262	312	418	417	428	570
	285	333	491	532	448	621
Net assets employed	8,118	8,355	10,594	10,800	11,109	11,472
Financed by						
Issued, subscribed and paid-up capital	1,707	1,707	1,707	1,964	2,393	2,632
Reserves	6,411	6,648	8,887	8,836	8,716	8,840
Shareholders' Equity	8,118	8,355	10,594	10,800	11,109	11,472
Turnover and profit						
Net sales	10,611	13,403	16,754	18,916	21,750	23,150
Gross profit	3,952	3,856	4,239	4,853	5,818	6,081
Operating profit	2,670	3,078	1,751	1,952	2,273	2,360
Profit before taxation	2,659	3,001	1,706	1,932	2,237	2,312
Taxation	988	1,046	665	874	1,096	992
Profit after taxation	1,671	1,955	1,041	1,058	1,141	1,320
EBITDA	2,842	3,309	2,061	2,324	2,599	2,713
Cash Dividend including bonus shares	1,621	1,621	853	1,144	1,196	1,316
Sales per employees	5,850	7,659	9,585	9,388	10,853	10,624

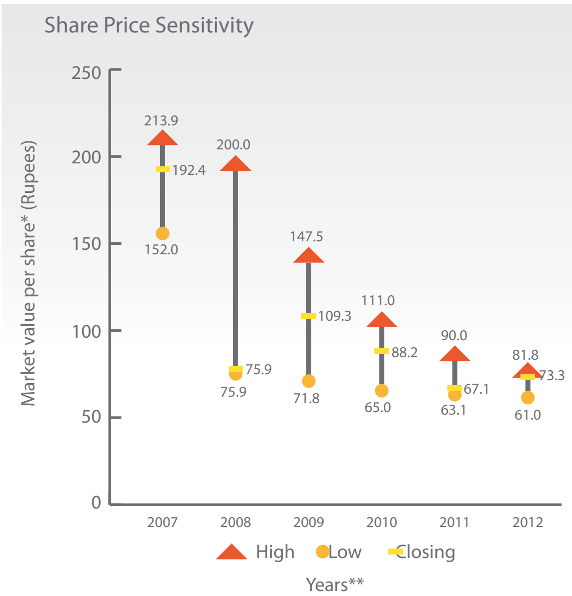




		2007	2008	2009	2010	2011	2012
Cashflows							
Operating Activities	Rs.in million	1,497	(402)	1,348	2,433	127	2,235
Investing Activities	Rs.in million	(824)	572	(262)	(739)	(558)	(1,345)
Financing Activities	Rs.in million	(1,086)	(1,698)	(1,189)	(849)	(782)	(900)
Changes in Cash equivalents	Rs.in million	(413)	(1,528)	(103)	845	(1,213)	(10)
Cash & equivalents - Year end	Rs.in million	4,253	2,725	2,693	3,538	2,326	2,316
Financial Highlights							
Cash dividend per share*	Rupees	7.5	9.5	5.0	4.0	4.0	4.0
Bonus shares*	%	25.0	0.0	0.0	15.0	10.0	10.0
Market value per share - year end	Rupees	192.4	75.9	109.3	88.2	67.1	73.3
Market value per share - high	Rupees	213.9	200.0	147.5	111.0	90.0	81.8
Market value per share - low	Rupees	152.0	75.9	71.8	65.0	63.1	61.0
Market price to Book value with surplus	Times	4.0	1.6	2.1	1.7	1.4	1.7
Market capitalization	Rs.in million	32,837	12,961	18,649	17,321	16,050	19,300
Profitability Ratios							
Profit before tax ratio	%	67.3	77.8	40.3	39.8	38.4	38.0
Gross Yield on Earning Assets	%	9.2	12.8	12.8	8.7	14.8	6.9
Gross Spread ratio	%	42.3	50.7	24.6	21.8	19.6	21.7
Cost / Income ratio	%	41.8	40.1	62.8	62.8	63.8	63.0
Return on Equity	%	20.6	23.4	9.8	9.8	10.3	11.5
Return on Capital employed	%	17.0	18.8	8.3	7.2	7.5	8.3
Gross Profit ratio	%	37.2	28.8	25.3	25.7	26.8	26.3
Net Profit to Sales	%	15.7	14.6	6.2	5.6	5.2	5.7
EBITDA Margin to Sales	%	26.8	24.7	12.3	12.3	12.1	11.7
Operating leverage ratio	%	13.8	58.0	(172.4)	88.7	110.0	58.9
Liquidity Ratios							
Advances to Deposits ratio	Times	1.0	1.3	0.9	1.5	3.0	2.6
Current ratio	Times	4.3	4.1	2.8	2.7	2.5	2.3
Quick / Acid test ratio	Times	2.9	2.3	1.4	1.5	1.0	1.0
Cash to Current Liabilities	Times	2.4	1.4	0.6	0.8	0.5	0.5
Cash flow from Operations to Sales	Times	0.1	0.0	0.1	0.1	0.0	0.1

* 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

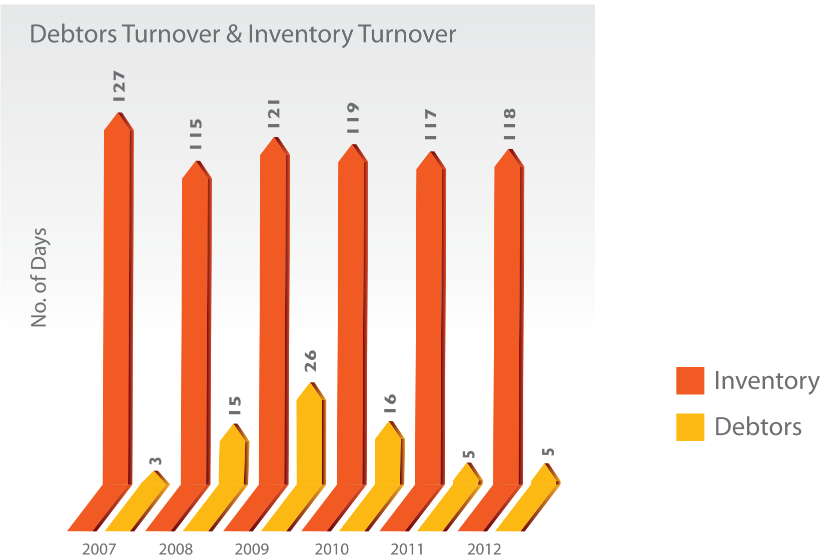




** For 2007, number of shares in issue includes the bonus shares declared in 2006 at 25%
For 2008, number of shares in issue includes bonus shares declared in 2007 at 25%
For 2011, number of shares in issue includes bonus shares declared in 2010 at 15%
For 2012, number of shares in issue includes bonus shares declared in 2011 at 10%

KEY OPERATING AND FINANCIAL DATA

		2007	2008	2009	2010	2011	2012
Activity / Turnover Ratios							
Inventory turnover ratio	Times	2.9	3.2	3.0	3.1	3.1	3.1
No. of Days in Inventory	Days	127	115	121	119	117	118
Debtor turnover ratio	Times	105.3	23.6	14.3	23.3	68.1	66.7
No. of Days in Receivables	Days	3	15	26	16	5	5
Creditor turnover ratio	Times	14.5	21.0	13.5	10.8	12.3	12.8
No. of Days in Creditors	Days	25	17	27	34	30	29
Total Assets turnover ratio	Times	1.0	1.3	1.2	1.3	1.4	1.4
Fixed Assets turnover ratio	Times	4.7	5.5	4.4	4.5	4.6	4.0
Operating Cycle	Days	106	113	119	100	93	95
Investment/Market Ratios							
Earnings per share (EPS)	Rupees	9.8	11.5	5.2	4.4	4.3	5.0
Price Earnings ratio	Times	19.6	6.6	20.9	20.0	15.5	14.6
Price to Book ratio	Times	0.0	0.0	0.0	0.0	0.0	0.0
Dividend Yield ratio	Times	0.0	0.1	0.0	0.0	0.1	0.1
Dividend Payout ratio	Times	0.8	0.8	1.0	0.9	0.9	0.8
Dividend Cover ratio	Times	1.3	1.2	1.0	1.1	1.1	1.3
Break-up Value per share without Surplus on Revaluation of Fixed Assets	Rupees	47.6	49.0	50.9	51.9	46.4	43.6
Break-up Value per share including the effect of Surplus on Revaluation of Fixed Assets	Rupees	47.6	49.0	50.9	51.9	46.4	43.6
Capital Structure Ratios							
Earning assets to total assets ratio	Times	0.5	0.3	0.2	0.2	0.2	0.1
Net assets per share	Times	47.6	49.0	62.1	51.9	46.4	43.6
Debt to Equity ratio	Times	0.0	0.0	0.0	0.0	0.0	0.1
Financial leverage ratio	Times	0.3	0.3	0.4	0.4	0.4	0.4
Interest Cover ratio	Times	231.2	40.0	39.2	97.5	62.2	49.7



DIRECT CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

	2012	2011
	Rupees '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	23,109,940	21,645,660
Cash paid to suppliers / service providers	(17,342,267)	(17,945,004)
Cash paid to employees	(2,353,555)	(2,223,008)
Payment of indirect taxes and other statutory duties	(227,960)	(146,257)
Payment of royalty and technical services fee	(58,347)	(173,549)
Payment to Retirement Funds	(140,308)	(274,118)
Interest income received	161,636	304,758
Income tax paid	(909,348)	(1,061,460)
Long term deposits	(4,981)	91
Net cash from operating activities	2,234,810	127,113
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(1,497,581)	(834,597)
Proceeds from sale of operating assets	152,891	93,840
Investments encashed	-	175,000
Return on investments - PIBs	-	7,945
Net cash used in investing activities	(1,344,690)	(557,812)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(900,008)	(782,165)
Net cash used in financing activities	(900,008)	(782,165)
Net increase / (decrease) in cash and cash equivalents	(9,888)	(1,212,864)
Cash and cash equivalents at beginning of the year	2,325,632	3,538,496
Cash and cash equivalents at end of the year	2,315,744	2,325,632

VERTICAL ANALYSIS

Balance Sheet Analysis (%)

	2007	2008	2009	2010	2011	2012
Share Capital and Reserves	79.9	78.6	73.4	72.5	72.0	70.6
Non Current Liabilities	2.8	3.1	3.4	3.6	2.9	3.8
Current Liabilities	17.3	18.3	23.2	23.9	25.1	25.6
Total Equity and Liabilities	100.0	100.0	100.0	100.0	100.0	100.0
Non Current Assets	26.0	25.0	34.8	35.1	37.7	42.1
Current Assets	74.0	75.0	65.2	64.9	62.3	57.9
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	62.8	71.2	74.7	74.3	73.2	73.7
Gross profit	37.2	28.8	25.3	25.7	26.8	26.3
Selling, marketing and distribution expenses	11.4	9.9	11.6	12.2	12.8	13.2
Administrative expenses	4.6	3.9	5.1	4.4	4.7	3.3
Other operating expenses	2.1	1.6	0.9	0.9	0.9	0.8
Other operating income	6.0	9.6	2.8	2.1	2.1	1.2
Operating profit	25.1	23.0	10.5	10.3	10.5	10.2
Financial charges	0.1	0.6	0.3	0.1	0.2	0.2
Profit before taxation	25.0	22.4	10.2	10.2	10.3	10.0
Taxation	9.3	7.8	4.0	4.6	5.0	4.3
Profit after taxation	15.7	14.6	6.2	5.6	5.3	5.7

HORIZONTAL ANALYSIS

Balance Sheet Analysis (%)

	Change from preceding year					
	2007	2008	2009	2010	2011	2012
Share Capital and Reserves	7.7	2.9	26.8	1.9	2.9	3.3
Non Current Liabilities	40.4	16.8	47.4	8.4	(15.7)	38.5
Current Liabilities	3.5	10.0	72.7	6.4	9.0	7.0
Total Equity and Liabilities	7.6	4.5	35.8	3.2	3.7	5.2
Non Current Assets	38.3	0.4	89.3	4.0	11.3	17.5
Current Assets	0.1	6.0	18.0	2.7	(0.5)	(2.2)
Total Assets	7.6	4.5	35.8	3.2	3.7	5.2

Profit and Loss Account Analysis (%)

	Change from preceding year					
Net sales	5.2	26.3	25.0	12.9	15.0	6.4
Cost of sales	7.0	43.4	31.1	12.4	13.3	7.1
Gross profit	2.2	(2.4)	10.0	14.5	19.9	4.5
Selling, marketing and distribution expenses	15.0	9.7	46.7	18.1	21.8	9.2
Administrative expenses	11.4	6.8	63.7	(2.9)	22.8	(24.6)
Other operating expenses	0.9	(7.1)	(26.9)	12.5	13.4	(0.7)
Other operating income	28.8	100.0	(63.8)	(14.2)	16.2	(37.4)
Operating profit	0.7	15.3	(43.1)	11.5	16.5	3.8
Financial charges	(36.8)	541.7	(41.6)	(55.6)	82.4	30.1
Profit before taxation	1.0	12.9	(43.2)	13.2	15.8	3.4
Taxation	2.2	5.9	(36.4)	31.4	25.3	(9.5)
Profit after taxation	0.4	17.0	(46.8)	1.6	7.9	15.7

GlaxoSmithKline

FINANCIALS 2012

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE
AS AT 31 DECEMBER 2012

This statement is being presented to comply with the Code of Corporate Governance (the "Code") contained in Regulation No. 35 of 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 in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

   Independent Directors*
   Mr. Rafique Dawood
   Mr. Husain Lawai

   Non-Executive Directors
   Mr. Mehmood Mandviwalla
   Ms. Fariha Salahuddin
   Dr. Muzaffar Iqbal**

   Executive Directors
   Mr. M. Salman Burney
   Mr. Shahid Mustafa Qureshi
   Mr. Maqbool ur Rehman
   Mr. Yahya Zakaria
   Ms. Erum Shakir Rahim

*The independent director meets the criteria of independence under clause i (b) of the Code of Corporate Governance 2002. Requirement of the Code of Corporate Govervence 2012 in this respect will be applied from the next election of the Board.

** Executive director till 15 November 2012.

2. The Directors have confirmed that none of them is serving as a director on more than seven 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 Development Financial Institution or a Non-Banking Financial Institution or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy occurred on the Board during the year ended 31 December 2012.

5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has delegated the authority for approval of significant policies to the Chief Executive. A complete record of particulars of such significant policies along with the dates on which they were approved or amended has been maintained.

7. All 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 the Chief Executive Officer, other executive and non-executive directors, have been taken 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 agenda and working papers, were circulated at least seven days before the meeting. The minutes of the meetings were appropriately recorded and circulated.

9. The Board has arranged an orientation course of the Code of Corporate Governance for its Directors. The certification of directors' training program is planned to be undertaken by two directors' by second quarter of 2013.

10. The Board has approved appointment of Chief Financial Officer (CFO), Company Secretary and Chief Internal Auditor, including their remuneration and terms and conditions of employment.

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 Chief Executive Officer and Chief Financial Officer before approval of the Board.

13. The Directors, Chief Executive Officer and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding. The Board has set up the threshold for other employees for the purpose of disclosing trades in the shares of the company.

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

15. The Board has formed an Audit Committee. It comprises three members, all of whom are non-executive directors.

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

17. The Board has formed an HR and Remuneration Committee. It comprises five members, of whom four are non-executive directors including the chairman of the committee.

18. The Board has outsourced the internal audit function to Ernst & Young Ford Rhodes Sidat Hyder & Co., Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, 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 the ICAP.

20. 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.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to Directors, employees and stock exchanges.

22. Material/price sensitive information has been disseminated among all market participants at once through the stock exchanges.

23. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors along with pricing methods.

24. As stated above, we confirm that all other material principles enshrined in the Code have been complied with.

M. Salman Burney
Chairman / Chief Executive

Karachi
18 February 2013

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Statement) 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, Listing Regulations of the 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 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 31 December 2012.

A.F. Ferguson & Co.
Chartered Accountants
Karachi

Dated: 22 February 2013

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of GlaxoSmithKline Pakistan Limited as at 31 December 2012 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 31 December 2012 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: 22 February 2013

Name of Engagement Partner: Mohammad Zulfikar Akhtar

BALANCE SHEET
AS AT 31 DECEMBER 2012

	Note	2012	2011
		Rupees '000	
NON-CURRENT ASSETS			
Fixed assets - property, plant and equipment	3	5,784,694	4,771,175
Intangible - goodwill	4	955,742	955,742
Long-term loans to employees	5	81,959	82,005
Long-term deposits		16,761	11,780
		6,839,156	5,820,702
CURRENT ASSETS			
Stores and spares	6	170,501	159,268
Stock-in-trade	7	5,080,220	5,602,526
Trade debts	8	350,362	343,404
Loans and advances	9	243,070	163,378
Trade deposits and prepayments	10	92,542	54,657
Interest accrued		12,205	30,372
Refunds due from government	11	40,759	17,104
Other receivables	12	438,674	319,800
Taxation - payments less provision		660,092	600,742
Investments	13	198,118	196,706
Cash and bank balances	14	2,117,626	2,128,926
		9,404,169	9,616,883
		16,243,325	15,437,585
SHARE CAPITAL AND RESERVES			
Share capital	15	2,631,960	2,392,691
Reserves	16	8,839,631	8,715,881
		11,471,591	11,108,572
NON-CURRENT LIABILITIES			
Staff retirement benefits	17	50,381	19,706
Deferred taxation	18	570,298	428,296
		620,679	448,002
CURRENT LIABILITIES			
Trade and other payables	19	3,950,339	3,663,772
Provisions	20	200,716	217,239
		4,151,055	3,881,011
		4,771,734	4,329,013
CONTINGENCIES AND COMMITMENTS	21		
		16,243,325	15,437,585

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

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012	2011
		Rupees '000	
Net sales	22	23,149,964	21,750,147
Cost of sales	23	(17,068,949)	(15,931,728)
Gross profit		6,081,015	5,818,419
Selling, marketing and distribution expenses	24	(3,046,675)	(2,790,373)
Administrative expenses	25	(771,322)	(1,022,493)
Other operating expenses	26	(192,617)	(194,066)
Other operating income	27	289,207	461,927
Operating profit		2,359,608	2,273,414
Financial charges	28	(47,512)	(36,526)
Profit before taxation		2,312,096	2,236,888
Taxation	29	(992,000)	(1,095,972)
Profit after taxation		1,320,096	1,140,916
Other comprehensive income			
Reversal of deficit on revaluation of available-for-sale investments		-	128
Deferred tax thereon		-	(45)
		-	83
Total comprehensive income		1,320,096	1,140,999
Earnings per share	30	Rs. 5.02	Rs. 4.33

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

GSK GlaxoSmithKline

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012	2011
		Rupees '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	31	3,213,886	1,402,378
Staff retirement benefits paid		(64,793)	(205,481)
Taxes paid		(909,348)	(1,061,460)
Increase in long-term loans to employees and deposits		(4,935)	(8,324)
Net cash generated from operating activities		2,234,810	127,113
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(1,497,581)	(834,597)
Proceeds from sale of operating assets		152,891	93,840
Investments encashed		-	175,000
Return on investments - PIBs		-	7,945
Net cash used in investing activities		(1,344,690)	(557,812)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(900,008)	(782,165)
Net decrease in cash and cash equivalents		(9,888)	(1,212,864)
Cash and cash equivalents at beginning of the year		2,325,632	3,538,496
Cash and cash equivalents at end of the year	32	2,315,744	2,325,632

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 31 DECEMBER 2012

	Share capital	CAPITAL RESERVES				Fair value reserve	General reserve	Unappropriated profit	Total
		Share premium	Reserve arising on amalgamation	Issue of shares	Issue of bonus shares				
	Rupees '000								
Balance as at 1 January 2011	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 31 December 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 ended 31 December 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 31 December 2011	-	-	-	-	-	83	-	1,140,916	1,140,999
Balance as at 31 December 2011	2,392,691	-	2,184,238	-	-	-	3,999,970	2,531,673	11,108,572
Balance as at 1 January 2012	2,392,691	-	2,184,238	-	-	-	3,999,970	2,531,673	11,108,572
Final dividend for the year ended 31 December 2011 @ Rs. 4 per share	-	-	-	-	-	-	-	(957,077)	(957,077)
Transferred to reserve for issue of bonus shares	-	-	-	-	239,269	-	-	(239,269)	-
Bonus shares issued during the period in the ratio of 10 shares for every 100 shares held	239,269	-	-	-	(239,269)	-	-	-	-
Total comprehensive income for the year ended 31 December 2012	-	-	-	-	-	-	-	1,320,096	1,320,096
Balance as at 31 December 2012	2,631,960	-	2,184,238	-	-	-	3,999,970	2,655,423	11,471,591

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 31 DECEMBER 2012

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 Changes in accounting policy and disclosures

(a) Standards, interpretations and amendments to published approved accounting standards that are effective in current year

There are no amended standards and interpretations that are effective for the first time in the current year that would be expected to have a material impact on the Company.

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

IAS 1 (Amendment) - 'Presentation of Financial Statements', is effective for the accounting periods beginning on or after 1 July 2012. It entails the requirement for entities to group items presented in 'other comprehensive income' on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). However, the amendments does not have any material impact on the Company's financial statements.

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.

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 31 December 2012 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

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 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.

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.

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

Revenue is recognised to the extent it is probable that the economic benefits will flow to the company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, is recognised on the following basis:

- 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.

GlaxoSmithKline

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.

	Note	2012	2011
		Rupees '000	
3. FIXED ASSETS - property, plant and equipment			
Operating assets	3.1	4,624,418	3,503,311
Capital work-in-progress	3.5	1,160,276	1,267,864
		5,784,694	4,771,175

3.1 Operating assets

	Land - Freehold	Land - Leasehold	Building - On freehold land	Building - On leasehold land	Plant & machinery	Furniture & fixtures	Vehicles	Office equiptment	TOTAL
	Rupees '000								
Net carrying value basis									
Year ended 31 December 2012									
Opening net book value (NBV)	174	364,055	2,680	899,808	1,681,512	105,184	281,664	168,234	3,503,311
Additions (at cost)	-	-	-	414,537	834,099	50,678	145,167	120,846	1,565,327
Disposals (at NBV)	-	(1,737)	(1,345)	(4,121)	(51,965)	(1,138)	(29,089)	(1,301)	(90,696)
Depreciation charge	-	(5,348)	-	(28,686)	(208,684)	(13,372)	(83,527)	(47,043)	(386,660)
Impairment reversal - net	-	-	-	4,281	26,270	712	-	1,873	33,136
Closing net book value	174	356,970	1,335	1,285,819	2,281,232	142,064	314,215	242,609	4,624,418
Gross carrying value basis									
At 31 December 2012									
Cost	174	382,676	64,417	1,591,058	3,853,472	233,780	504,710	740,501	7,370,788
Accumulated depreciation	-	(25,706)	(31,166)	(288,668)	(1,526,056)	(91,484)	(190,486)	(497,892)	(2,651,458)
Impairment loss - net	-	-	(31,916)	(16,571)	(46,184)	(232)	(9)	-	(94,912)
Net book value	174	356,970	1,335	1,285,819	2,281,232	142,064	314,215	242,609	4,624,418
Net carrying value basis									
Year ended 31 December 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 - net	-	-	(12,854)	5,729	(31,195)	7,027	(9)	(1,006)	(32,308)
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 31 December 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
Depreciation rate									
% per annum	-	2.5 to 10	2.5	2.5	5 to 10	10	25	10 to 33.33	

3.2 Details of 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		→		
Leasehold land	2,776	1,039	1,737	50,546	Tender	Mr. Sohail Khattak, Khattak House, Hakeemabad, Tehsil District Nowshehra and Mr. Shakeel Ellahi, New Garden Block, House No. 1, Street A, Mohallah Saeed Colony, Faisalabad
Buildings	69	14	55	-	Written-off	
"	130	71	59	-	"	
"	116	45	71	-	"	
"	163	78	85	-	"	
"	105	3	102	-	"	
"	228	71	157	-	"	
"	196	19	177	-	"	
"	358	80	278	-	"	
"	563	42	521	34	Tender	M/s Shakoor Brothers, Plot SA-6, ST-4, Sector-27, Korangi Industrial Area, Karachi
"	1,558	373	1,185	95	"	"
"	2,943	527	2,416	180	"	"
Plant & machinery	1,427	1,366	61	373	"	M/s Don Valley Pharmaceutical (Private) Limited, 207-A 2nd Floor, Eden Heights Jail Road, Gulberg, Lahore
"	599	525	74	156	"	"
"	115	39	76	30	"	"
"	88	12	76	23	"	"
"	394	306	88	103	"	"
"	144	38	106	38	"	"
"	152	41	111	40	"	"
"	120	5	115	31	"	"
"	150	35	115	39	"	"
"	143	21	122	37	"	"
"	98	42	56	26	"	"
"	88	30	58	23	"	"
"	130	5	125	34	"	"
"	81	19	62	21	"	"
"	81	19	62	21	"	"
"	112	49	63	29	"	"
"	100	33	67	26	"	"
"	93	25	68	24	"	"
"	93	25	68	24	"	"
"	94	25	69	25	"	"
"	140	47	93	37	"	"
"	100	4	96	26	"	"
Balance c/f	13,747	5,073	8,674	52,041		

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	←	Rupees ' 000		→		
Balance b/f	13,747	5,073	8,674	52,041		
Plant & machinery	193	77	116	50	Tender	M/s Don Valley Pharmaceutical (Private) Limited, 207-A 2nd Floor, Eden Heights Jail Road, Gulberg, Lahore
"	153	66	87	40	"	"
"	131	32	99	34	"	"
"	182	52	130	48	"	"
"	620	475	145	162	"	"
"	173	40	133	45	"	"
"	203	54	149	53	"	"
"	203	54	149	53	"	"
"	286	119	167	75	"	"
"	285	116	169	74	"	"
"	211	30	181	55	"	"
"	217	33	184	57	"	"
"	199	10	189	52	"	"
"	337	124	213	88	"	"
"	335	112	223	88	"	"
"	400	133	267	104	"	"
"	1,010	741	269	264	"	"
"	285	9	276	74	"	"
"	363	33	330	95	"	"
"	460	123	337	120	"	"
"	467	97	370	122	"	"
"	460	61	399	120	"	"
"	580	179	401	152	"	"
"	470	63	407	123	"	"
"	445	33	412	116	"	"
"	959	511	448	250	"	"
"	755	107	648	197	"	"
"	1,360	550	810	355	"	"
"	1,597	386	1,211	417	"	"
"	1,267	53	1,214	331	"	"
"	900	839	61	647	"	M/s Surge Laboratories, 10km Faisalabad Road, Bikhi, Sheikhupura
"	1,319	1,083	236	948	"	"
"	283	230	53	17	"	M/s Shakoor Brothers, Plot SA-6, ST-4, Sector-27, Korangi Industrial Area, Karachi
"	111	52	59	7	"	"
"	177	106	71	1	"	"
"	3,244	3,159	85	503	"	"
"	139	67	72	9	"	"
Balance c/f	34,526	15,082	19,444	57,987		

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	←	Rupees ' 000		→		
Balance b/f	34,526	15,082	19,444	57,987		
Plant & machinery	150	28	122	9	Tender	M/s Shakoor Brothers, Plot SA-6, ST-4, Sector-27, Korangi Industrial Area, Karachi
"	850	700	150	132	"	"
"	130	44	86	20	"	"
"	263	94	169	16	"	"
"	545	282	263	84	"	"
"	425	152	273	26	"	"
"	480	204	276	29	"	"
"	350	69	281	54	"	"
"	517	233	284	32	"	"
"	565	153	412	35	"	"
"	565	153	412	35	"	"
"	568	111	457	35	"	"
"	682	145	537	42	"	"
"	1,240	692	548	192	"	"
"	946	237	709	58	"	"
"	1,322	474	848	81	"	"
"	1,275	611	664	78	"	"
"	1,728	778	950	268	"	"
"	2,407	1,154	1,253	147	"	"
"	2,010	720	1,290	123	"	"
"	3,347	1,199	2,148	205	"	"
"	9,498	3,403	6,095	581	"	"
"	1,772	849	923	108	"	"
"	237	177	60	114	"	M/s Ganatra Salvage, B-37 S.I.T.E., Karachi
"	104	43	61	50	"	"
"	75	18	57	36	"	"
"	110	46	64	53	"	"
"	150	77	73	72	"	"
"	99	10	89	47	"	"
"	125	35	90	60	"	"
"	340	248	92	164	"	"
"	97	2	95	47	"	"
"	120	19	101	58	"	"
"	125	52	73	60	"	"
"	335	257	78	161	"	"
"	120	34	86	58	"	"
"	180	51	129	87	"	"
"	477	347	130	229	"	"
Balance c/f	68,855	28,983	39,872	61,673		

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					
Balance b/f	68,855	28,983	39,872	61,673		
Plant & machinery	105	32	73	51	Tender	M/s Ganatra Salvage, B-37 S.I.T.E., Karachi
"	312	176	136	150	"	"
"	400	260	140	193	"	"
"	132	2	130	64	"	"
"	132	2	130	64	"	"
"	132	2	130	64	"	"
"	132	2	130	64	"	"
"	132	2	130	64	"	"
"	132	2	130	64	"	"
"	132	2	130	64	"	"
"	132	2	130	64	"	"
"	160	17	143	77	"	"
"	925	779	146	445	"	"
"	180	33	147	87	"	"
"	225	71	154	108	"	"
"	170	7	163	82	"	"
"	1,133	954	179	546	"	"
"	362	175	187	174	"	"
"	232	36	196	112	"	"
"	256	38	218	123	"	"
"	299	71	228	144	"	"
"	325	95	230	156	"	"
"	350	117	233	169	"	"
"	290	43	247	140	"	"
"	312	61	251	150	"	"
"	935	662	273	450	"	"
"	455	152	303	219	"	"
"	325	3	322	156	"	"
"	344	20	324	166	"	"
"	657	312	345	317	"	"
"	520	160	360	250	"	"
"	620	253	367	298	"	"
"	470	98	372	226	"	"
"	470	35	435	226	"	"
"	650	103	547	313	"	"
"	3,861	3,224	637	1,859	"	"
"	1,125	66	1,059	542	"	"
"	2,548	297	2,251	1,227	"	"
Balance c/f	88,927	37,349	51,578	71,341		

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	←	Rupees ' 000		→		
Balance b/f	88,927	37,349	51,578	71,341		
Plant & machinery	470	98	372	226	Tender	M/s Ganatra Salvage, B-37 S.I.T.E., Karachi
"	1,835	1,146	689	258	"	M/s Hamza Traders, M.A. Jinnah Road, Al-Hamd Photostate, Naarene Valjee Street, Karachi
"	1,176	651	525	166	"	"
"	1,176	651	525	166	"	"
"	2,496	1,270	1,226	272	"	M/s N.Y. Attari Enterprises, Plot # B-41, Paracha Chowk, Shershah, Karachi
"	715	107	608	616	"	M/s Rays Technologies, 107-B, 1st Floor, Anum Classic, Opp Duty Free Shop, Shahrah-e-Faisal, Karachi
Office equipment	60	2	58	16	"	M/s Don Valley Pharmaceutical (Private) Limited, 207-A 2nd Floor, Eden Heights Jail Road, Gulberg, Lahore
"	79	19	60	21	"	"
"	210	82	128	53	"	M/s Mohammad Ismail & Sons, Lahore
"	135	63	72	65	"	M/s Ganatra Salvage, B-37 S.I.T.E., Karachi
"	483	245	238	233	"	"
"	142	47	95	-	Written-off	
Furniture & fixtures	260	132	128	125	Tender	M/s Ganatra Salvage, B-37 S.I.T.E., Karachi
"	206	3	203	99	"	"
"	470	94	376	450	Negotiation	M/s Akhai Pharma - 3rd Floor, 103-K Block, PECHS, Karachi
Motor vehicles	464	348	116	556	Tender	Mr. Abul Fazal, G-66, Phase II, Defence View, DHA, Karachi
"	1,005	754	251	1,137	"	Mr. Adam Khan, H.No. 1230, Ghausia Colony, New Town Police Station, Karachi
"	473	355	118	512	"	Mr. Athar Shafique, R-403, Sector 10, North Karachi
"	631	474	157	727	"	Mr. Danish Alvi, D-79, F.B.Area, Block-4, Karimabad, Karachi
"	563	405	158	533	"	"
"	473	355	118	570	"	"
"	464	348	116	457	"	"
"	473	355	118	583	"	"
"	473	355	118	579	"	"
"	720	540	180	718	"	Mr. Farrukh Amjad, R-25, Sector 5/L, New Karachi
"	563	413	150	478	"	"
	464	348	116	408	"	"
"	464	348	116	451	"	Mr. Iftekhar Ahmed, 419, St.#19, Haroonabad, Karachi
"	479	359	120	403	"	Mr. Irtaza Baloch, Main National Highway, Opposite Malir Court, Malir City, Karachi
"	615	461	154	693	"	Mr. M.Arsalan Rafique, Flat # C-9, Friends Garden, Block 13/D, Gulshan e Iqbal, Karachi
"	464	348	116	457	"	Mr. M.Kaleem Iqbal, 1-H-1/6, Nazimabad , Karachi
"	969	727	242	1,077	"	Mr. Muhamamad Ali Akber Khan, A/895-12, F.B.Area, Gulberg, Karachi
"	969	727	242	1,076	"	Mr. Muhammad Ashraf, 17/81, C Block, Jinnah Road, Shershah, Near KMC Office, Karachi
Balance c/f	109,566	49,979	59,587	85,522		

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 →					
Balance c/f	109,566	49,979	59,587	85,522		
Motor vehicles	464	348	116	467	Tender	Mr. Mushtaq Ahmed, F/3, Plot No. FL-19, Boat Basin, Block V, Clifton, Karachi
"	464	348	116	450	"	Mr. Muhammad Islam Khan, E-92, Block R, North Nazimabad, Karachi
"	464	348	116	483	"	"
"	464	348	116	497	"	"
"	464	348	116	482	"	"
"	464	348	116	487	"	"
"	464	348	116	498	"	"
"	473	355	118	524	"	Mr. Noman A.Siddiqui, L-2247, Block II, Sector 14/A,Gulzar-e-Hijri, Karachi
"	1,439	899	540	1,185	"	"
"	464	348	116	437	"	"
"	479	359	120	439	"	Mr. S.M. Aleem, A/795, 11-B, North Karachi
"	647	485	162	682	"	Mr. Wasim Mirza, A-32, Block 10 A, Gulshan-e-Iqbal, Karachi
"	646	484	162	685	"	"
"	631	474	157	700	"	"
"	480	360	120	596	"	"
"	473	355	118	530	"	"
"	464	348	116	505	"	"
"	464	348	116	471	"	"
"	464	348	116	460	"	"
"	464	348	116	515	"	"
"	1,852	1,273	579	741	Company policy	Dr. Amjad Aqeel, Ex-Executive
"	3,616	2,543	1,073	1,446	"	Dr. Atif Mirza, Ex - Executive
"	1,439	899	540	1,269	"	Dr. Gohar Nayab, Executive
"	1,043	244	799	893	"	Dr. Khaula Mumtaz, Executive
"	979	734	245	245	"	Dr. Zainab Chagla, Executive
"	1,043	391	652	1,000	"	Mr. Abdul Aleem Siddiqui, Ex - Executive
"	615	461	154	154	"	Mr. Abdul Ghaffar, Executive
"	620	465	155	155	"	Mr. Abdul Wahid, Executive
"	620	465	155	155	"	Mr. Ahmed Shamim Azad, Ex - Executive
"	504	204	300	455	"	Mr. Amer Waseem Raja, Employee
"	620	465	155	155	"	Mr. Amin Hirani, Executive
"	620	465	155	155	"	Mr. Arif Atiq, Ex - Executive
"	620	465	155	155	"	Mr. Faisal Khan, Executive
"	620	465	155	155	"	Mr. Farhan Saeed, Executive
"	1,043	277	766	925	"	Mr. Farooq Hameed, Ex - Executive
"	845	295	550	600	"	Mr. Ghaus Ali Jaffri, Ex - Executive
"	1,462	434	1,028	877	"	Mr. Hamid Mehmood, Ex - Employee
Balance c/f	138,563	68,471	70,092	106,150		

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	Rupees ' 000					
Balance b/f	138,563	68,471	70,092	106,150		
Motor vehicles	1,414	552	862	1,161	Company policy	Mr. Haris Jabbar, Executive
"	504	204	300	550	"	Mr. Irfan Ali, Employee
"	615	461	154	154	"	Mr. Jamil Saifee, Executive
"	620	465	155	155	"	Mr. Jawed Sheikh, Executive
"	504	204	300	575	"	Mr. Lutfullah Amin, Employee
"	1,039	390	649	855	"	Mr. Mohammad Ramzan, Executive
"	1,389	955	434	999	"	Mr. Mubeen Ahmed, Ex - Executive
"	620	465	155	155	"	Mr. Muhammad Shoaib, Ex - Executive
"	1,066	266	800	112	"	Mr. Muhammad Sibtain, Executive
"	725	532	193	290	"	Mr. Muhammad Tariq Alvi, Ex - Executive
"	620	465	155	155	"	Mr. Munir Ahmed, Executive
"	4,316	2,765	1,551	1,726	"	Mr. Muzaffar Iqbal, Ex - Director
"	1,800	1,153	647	1,600	"	Mr. Muzaffar Iqbal, Ex - Director
"	936	386	550	800	"	Mr. Nabeel Ghauri, Executive
"	652	489	163	163	"	Mr. Nasir A Qureshi, Executive
"	1,039	487	552	801	"	Mr. Qasim Abbas Naqvi, Executive
"	775	581	194	250	"	Mr. Sajjad Shaukat, Ex - Executive
"	2,750	2,063	687	688	"	Mr. Salman Burney, Chief Executive
"	620	465	155	155	"	Mr. Shahab Mansoor Jalali, Employee
"	620	465	155	155	"	Mr. Shakil Khan, Executive
"	969	727	242	242	"	Mr. Syed Zafar Ahmed, Executive
"	620	465	155	232	"	Mr. Tariq Mahmood, Ex - Executive
"	620	465	155	155	"	Mr. Tariq Shamshad, Executive
"	1,429	887	542	602	"	Mr. Wajahat Hussain, Ex - Executive
"	1,039	438	601	819	"	Mr. Yahya Jan, Executive
"	1,093	222	871	558	"	Mr. Zahid Nazir, Ex - Employee
"	1,800	956	844	1,570	"	Ms. Fariha Salahuddin, Director
"	2,810	2,108	702	1,124	"	Ms. Fariha Salahuddin, Director
"	1,039	373	666	935	"	Ms. Hafsa Farooqui, Ex - Executive
"	1,526	1,145	381	1,525	Insurance claim	EFU General Insurance Limited
"	1,524	191	1,333	1,524	"	EFU General Insurance Limited
"	721	146	575	731	"	EFU General Insurance Limited
Total	176,377	90,407	85,970	127,666		

3.3 Leasehold land includes land at Sundar Industrial Estate, Lahore, with a net book value of Rs. 18.45 million (2011: Rs. 18.45 million) for which lease from Punjab Industrial Estates Development and Management Company is not finalised.

3.4 Majority of the items disposed off relate to closure of Lahore factory.

	2012	2011
	Rupees '000	
3.5 Capital work-in-progress		
Civil work	177,738	770,995
Plant and machinery	868,757	405,051
Furniture and fixtures	20,387	17,236
Office equipments	47,899	52,435
Advances to suppliers	78,074	54,726
	1,192,855	1,300,443
Provision for impairment	(32,579)	(32,579)
	1,160,276	1,267,864
4. INTANGIBLE		
Goodwill	955,742	955,742

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 of the cash generating unit to which the asset belongs, discounted at risk-adjusted discount rate.

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

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.
Terminal 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.

5. LONG-TERM LOANS TO EMPLOYEES

	2012 Rupees '000	2011 Rupees '000
To executives	7,402	3,922
To other employees	125,663	126,605
	133,065	130,527
Recoverable within one year - note 9		
Executives	(2,412)	(3,868)
Other employees	(48,694)	(44,654)
	(51,106)	(48,522)
	81,959	82,005
Reconciliation of carrying amount of loans to executives:		
Opening balance	3,922	5,555
Disbursements including promotions	8,319	4,606
Recoveries and amortisation	(4,839)	(6,239)
	7,402	3,922

5.1 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 (2011: 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. 9.67 million (2011: Rs. 8.9 million).

6. STORES AND SPARES

	2012 Rupees '000	2011 Rupees '000
Stores and spares	181,087	173,706
Provision for slow moving and obsolete items - note 6.1	(10,586)	(14,438)
	170,501	159,268

6.1 Stores and spares of Rs. 8.28 million (2011: Rs 0.65 million) have been written off against provision during the year.

7. STOCK-IN-TRADE

	2012 Rupees '000	2011 Rupees '000
Raw and packing materials including in transit Rs. 491.53 million (2011: Rs. 625.18 million)	2,240,928	2,072,078
Work-in-progress	518,042	591,080
Finished goods including in transit Rs. 221.43 million (2011: Rs. 303.15 million)	2,635,166	3,203,386
	5,394,136	5,866,544
Less: Provision for slow moving, obsolete and damaged items - note 7.3	(313,916)	(264,018)
	5,080,220	5,602,526

7.1 Stock-in-trade includes Rs. 157.50 million (2011: Rs. 84.95 million), Rs. 73.79 million (2011: Rs. 148.94 million), Rs. 61.36 million (2011:Rs 103.83 million) and Rs. 94.15 million (2011: Rs. 57.31 million) held with Pharmatec Pakistan (Private) Limited, Vikor Enterprises (Private) Limited, Roomi Enterprises (Private) Limited and Akhai Pharmaceuticals (Private) Limited, respectively.

7.2 Stock-in-trade includes items costing Rs. 1.74 billion (2011: Rs. 1.42 billion) valued at net realisable value of Rs. 1.58 billion (2011: Rs. 1.25 billion).

7.3 Stocks of Rs. 107.35 million (2011: Rs. 102.18 million) have been written off against provision during the year.

8. TRADE DEBTS

	2012	2011
	Rupees '000	
Considered good		
GlaxoSmithKline Trading Services Limited - Associated company	33,804	28,710
Others	316,558	314,694
Considered doubtful	36,547	47,547
	386,909	390,951
Provision for doubtful debts	(36,547)	(47,547)
	350,362	343,404

8.1 The maximum aggregate amount due from the related party at the end of any month during the year was Rs. 37.49 million (2011: Rs. 35.41 million).

9. LOANS AND ADVANCES - considered good

	2012	2011
	Rupees '000	
Loans due from employees - note 5	51,106	48,522
Advances to employees	40,435	38,951
Advances to suppliers	151,529	75,905
	243,070	163,378

10. TRADE DEPOSITS AND PREPAYMENTS

	2012	2011
Trade deposits	79,002	43,866
Prepayments	13,540	10,791
	92,542	54,657

11. REFUNDS DUE FROM GOVERNMENT

	2012	2011
Custom duty and sales tax		
- considered good	40,759	17,104
- considered doubtful	18,464	18,464
	59,223	35,568
Provision for doubtful receivables	(18,464)	(18,464)
	40,759	17,104

12. OTHER RECEIVABLES

	2012	2011
	Rupees '000	
Due from related parties		
- Associated companies - note 12.1	382,797	202,825
- BMS Pakistan (Private) Limited management staff pension fund - note 17.1	24,783	23,414
	407,580	226,239
Claims recoverable from suppliers		
- Associated companies - note 12.2	8,135	64,054
- Others	2,042	10,610
Receivable against sale of assets	3,318	4,977
Others	17,599	13,920
	438,674	319,800

12.1 Due from associated companies

	2012	2011
GlaxoSmithKline Services Unlimited, UK	42,357	6,597
GlaxoSmithKline Export Limited, UK	80,528	43,736
GlaxoSmithKline Limited, Bangladesh	10,932	8,377
GlaxoSmithKline Biologicals, S.A.	103,008	-
Glaxo Operations UK Limited, UK	15	14
GlaxoSmithKline Investment Co. Limited, China	443	413
Stiefel Laboratories (Pte) Limited, Singapore	134,242	133,396
GlaxoSmithKline S.A.E., Egypt	964	1,212
GlaxoSmithKline Pharmaceuticals Limited, India	-	3,438
Stiefel Laboratories Limited, USA	6,042	5,642
GlaxoSmithKline Consumer Healthcare R&D, UK	4,030	-
GlaxoSmithKline (Pte) Limited, Singapore	236	-
	382,797	202,825

12.2 Claims recoverable from associated companies

	2012	2011
GlaxoSmithKline Trading Services Limited, Ireland	4,460	7,049
GlaxoSmithKline Biologicals S.A.	3,675	57,005
	8,135	64,054

12.3 The maximum aggregate amount due from related parties at the end of any month during the year was Rs. 390.93 million (2011: Rs. 309.03 million).

13. INVESTMENTS - Held-to-maturity

Investments represents one treasury bill which is held by company's banker for safe custody. The yield on this bill is 9.23% per annum (2011: 11.65% per annum) and it matures in February 2013.

14. CASH AND BANK BALANCES

	2012	2011
	Rupees '000	
With banks		
on deposit accounts	1,740,000	1,800,000
on PLS savings accounts	176,720	236,689
on current accounts	167,231	79,305
Cash and cheques in hand	33,675	12,932
	2,117,626	2,128,926

14.1 At 31 December 2012 the rates of mark-up on PLS savings accounts and on term deposit accounts were 6.0% to 6.5% (2011: 5.0% to 7.0%) per annum and 8.0% to 8.5% (2011: 9.0% to 12.1%) per annum respectively.

15. SHARE CAPITAL

Authorised share capital

2012	2011		2012 Rupees '000	2011 Rupees '000
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 2012	Ordinary shares of Rs. 10 each 2011		2012 Rupees '000	2011 Rupees '000
5,386,825	5,386,825	Shares allotted for consideration paid in cash	53,868	53,868
64,339,835	64,339,835	Shares allotted for consideration other than cash	643,398	643,398
193,469,437	169,542,519	Shares allotted as bonus shares	1,934,694	1,695,425
263,196,097	239,269,179		2,631,960	2,392,691

15.1 As at 31 December 2012 S.R. One International B.V., Netherlands and its nominees held 202,628,606 shares (2011: 184,207,825 shares).

16. RESERVES

	2012 Rupees '000	2011 Rupees '000
Capital reserve - reserve arising on amalgamation	2,184,238	2,184,238
General reserve	3,999,970	3,999,970
Unappropriated profit	2,655,423	2,531,673
	8,839,631	8,715,881

17. STAFF RETIREMENT BENEFITS

	Gratuity funds 2012	Gratuity funds 2011	Pension fund 2012	Pension fund 2011
	Rupees '000		Rupees '000	
17.1 Movement in liability / (asset)				
Opening balance	19,706	115,240	(23,414)	(18,855)
Charge / (reversal) for the year - note 17.5	95,468	109,947	(1,369)	(4,559)
Payments to the fund	(64,793)	(205,481)	-	-
Closing balance	50,381	19,706	(24,783)	(23,414)
17.2 Balance sheet reconciliation				
Present value of defined benefit obligation - note 17.3	1,108,768	1,057,028	98,249	83,544
Fair value of plan assets - note 17.4	(933,488)	(843,122)	(130,229)	(118,656)
	175,280	213,906	(31,980)	(35,112)
Unrecognised actuarial (loss) / gain	(124,899)	(194,200)	7,197	11,698
	50,381	19,706	(24,783)	(23,414)
17.3 Movement in the present value of defined benefit obligation during the year is as follows:				
Balance at 1 January	1,057,028	940,478	83,544	67,850
Current service cost	64,506	57,881	3,001	2,570
Interest cost	133,294	136,836	10,740	9,827
Actuarial (gain) / loss	(21,633)	1,698	6,339	8,020
Benefits paid	(124,427)	(79,865)	(5,375)	(4,723)
Balance at 31 December	1,108,768	1,057,028	98,249	83,544
17.4 Movement in the fair value of plan assets during the year is as follows:				
Balance at 1 January	843,122	635,425	118,656	111,558
Expected return on plan assets	111,983	94,104	15,110	15,978
Actuarial gain / (loss)	38,017	(12,023)	1,838	(4,157)
Employer's contributions	64,793	205,481	-	-
Benefits paid	(124,427)	(79,865)	(5,375)	(4,723)
Balance at 31 December	933,488	843,122	130,229	118,656

	Gratuity funds 2012	Gratuity funds 2011	Pension fund 2012	Pension fund 2011
	Rupees '000		Rupees '000	
17.5 Charge / (reversal) for the year				
Current service cost	64,506	57,881	3,001	2,570
Interest cost	133,294	136,836	10,740	9,827
Expected return on plan assets	(111,983)	(94,104)	(15,110)	(15,978)
Recognition of actuarial loss / (gain)	9,651	9,334	-	(978)
	95,468	109,947	(1,369)	(4,559)
17.6 Actual return on plan assets	150,000	82,081	16,948	11,821
17.7 Principal actuarial assumptions				
Expected return on plan assets (% per annum)	12	13	12	13
Expected rate of increase in salaries (% per annum)	12	13	12	13
Discount factor used (% per annum)	12	13	12	13
Retirement age (years)	60	60	60	60
Average remaining working life of employees (years)	10 - 11	9 - 12	12	13

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 2012	Gratuity funds 2011	Pension fund 2012	Pension fund 2011
	%	%	%	%
17.8 Plan assets				
Plan assets are comprised of the following:				
- Equity and mutual funds	15.90	13.71	-	-
- Bonds	80.01	80.11	96.77	96.98
- Others	4.09	6.18	3.23	3.02
	100.00	100.00	100.00	100.00

17.9 For the year ending 31 December 2013 expected contribution to funded gratuity schemes is Rs. 96.04 million. No contribution is expected to be paid to funded pension scheme.

17.10 Comparison for five years

Gratuity funds

	2012	2011	2010	2009	2008
	Rupees '000				
Fair value of plan assets	933,488	843,122	635,425	641,827	446,759
Present value of defined benefit obligation	(1,108,768)	(1,057,028)	(940,478)	(883,550)	(641,237)
Deficit	(175,280)	(213,906)	(305,053)	(241,723)	(194,478)
Experience gain / (loss) on plan assets	38,017	(12,023)	(12,133)	5,380	128,538
Experience (gain) / loss on plan liabilities	(21,633)	1,698	19,796	(6,992)	23,432

Pension fund

	2012	2011	2010	2009
Fair value of plan assets	130,229	118,656	111,558	100,610
Present value of defined benefit obligation	(98,249)	(83,544)	(67,850)	(58,593)
Surplus	31,980	35,112	43,708	42,017
Experience gain / (loss) on plan assets	1,838	(4,157)	(602)	(6,488)
Experience loss on plan liabilities	6,339	8,020	1,246	4,812

17.11 Information given in note 17 is primarily based on actuarial advice.

18. DEFERRED TAXATION

	2012	2011
	Rupees '000	
Credit balance arising in respect of accelerated tax depreciation allowances	650,260	491,072
Debit balances arising in respect of:		
- Provision for retirement benefits	17,154	6,637
- Provision for doubtful debts and refunds due from government	18,730	22,232
- Provision for slow moving & obsolete stock and stores & spares	44,078	33,907
	79,962	62,776
	570,298	428,296

19. TRADE AND OTHER PAYABLES

	2012 Rupees '000	2011 Rupees '000
Creditors		
- Associated companies	950,892	981,913
- Others	389,899	278,098
Bills payable	47,518	18,283
Royalty and technical assistance fee payable		
- Associated company	502,398	291,138
- Others	46,178	84,901
Accrued liabilities - note 19.1	1,561,316	1,578,647
Advances from customers	95,771	128,837
Contractors' earnest / retention money	28,614	19,124
Taxes deducted at source and payable to statutory authorities	25,514	51,623
Workers' Profits Participation Fund - note 19.2	11,205	12,557
Workers' Welfare Fund	45,530	54,804
Central Research Fund	66,627	41,580
Unclaimed dividend	49,864	46,325
Dividend payable - note 19.3	100,175	46,645
Others	28,838	29,297
	3,950,339	3,663,772

19.1 This includes liability for share based compensation amounting to Rs. 118.34 million (2011: Rs. 75.12 million).

19.2 Workers' Profits Participation Fund

	2012 Rupees '000	2011 Rupees '000
Opening liability	12,557	24,119
Allocation for the year – note 26	125,236	121,588
	137,793	145,707
Interest on funds utilised in company's business – note 28	221	834
	138,014	146,541
Amount paid to the Fund	(126,809)	(133,984)
Closing liability	11,205	12,557

19.3 This amount pertains to dividend payable to Stiefel Laboratories (Ireland) Limited.

20. PROVISIONS

	2012 Rupees '000	2011 Rupees '000
Balance as at January 1	217,239	131,001
Charge for the year	29,897	386,835
Payments during the year	(46,420)	(300,597)
Balance as at December 31	200,716	217,239

20.1 Provisions include restructuring costs and government levies of Rs. 92.47 million and Rs. 108.24 million respectively.

21. CONTINGENCIES AND COMMITMENTS

21.1 Contingencies

(a) Claims against the Company not acknowledged as debt amount to Rs 118.03 million (2011: Rs 111.59 million) as at 31 December 2012 for reinstatement of employees and other cases.

(b) Income Tax

(i) In prior years, while finalising the company's assessments for the years 1999-2000 through 2002-2003 (accounting years ended 31 December 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 31 December 1998 and 1999) while the additions made in assessment years 2001-2002 and 2002-2003 (accounting years ended 31 December 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 2011, 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 31 December 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 2011, 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) While amending the assessments of the company for the tax years 2005, 2006, 2007 and 2008 (accounting years ended 31 December 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) While finalising the assessment of former GlaxoSmithKline Pharmaceuticals (Private) Limited (GSKPPL) formerly Bristol-Myers Squibb Pakistan (Private) Limited for tax year 2006 (accounting year ended 31 December 2005) the Assessing Officer (AO) made additions to income raising tax demands of Rs. 10.04 million on the contention that the company had allegedly paid excessive amounts for importing certain raw materials. The company has filed an appeal with CIRA in respect of the said matter.

(v) 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 31 December 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).

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 no provision has been made in respect of the aforementioned additional tax demands.

21.2 Commitments

Commitments for capital expenditure outstanding as at 31 December 2012 amounted to Rs. 598.69 million (2011: Rs. 924.70 million).

22. NET SALES

	2012	2011
	Rupees '000	
Manufactured goods		
Gross sales		
Local	19,761,776	18,723,707
Export	790,360	712,959
	20,552,136	19,436,666
Less: Commissions, returns and discounts	301,577	190,337
Sales tax	113,141	77,479
	20,137,418	19,168,850
Trading goods		
Gross sales		
Local	3,253,716	2,775,318
Export	11,662	14,353
	3,265,378	2,789,671
Less: Commissions, returns and discounts	193,128	160,258
Sales tax	59,704	48,116
	3,012,546	2,581,297
	23,149,964	21,750,147

22.1 Sales of major product categories i.e. antibiotics, dermatologicals and consumer during the year amounted to Rs. 9.33 billion, Rs. 3.01 billion and Rs. 2.65 billion (2011: Rs. 9.02 billion, Rs. 2.79 billion and Rs 2.36 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 two distributors (2011: one distributor) exceed 10 percent of the net sales during the year, amounting to Rs. 3.06 billion and Rs. 2.53 billion (2011: Rs. 2.35 billion).

23. COST OF SALES

	2012	2011
	Rupees '000	
Raw and packing materials consumed	10,606,560	11,015,437
Manufacturing charges to third parties	395,908	318,769
Stores and spares consumed	41,296	39,731
Salaries, wages and other benefits - note 23.1	1,199,366	1,168,029
Fuel and power	426,436	384,753
Rent, rates and taxes	5,211	6,317
Royalty and technical assistance fee	230,884	223,106
Insurance	93,916	80,114
Publication and subscriptions	359	4,670
Repairs and maintenance	166,139	173,646
Training expenses	1,769	927
Travelling and entertainment	22,049	16,882
Vehicle running	20,888	16,999
Depreciation and impairment	233,274	281,834
Provision for slow moving and obsolete stock - raw and packing materials	48,099	53,819
Provision for slow moving and obsolete stores and spares	4,428	7,341
Canteen expenses	82,035	102,880
Laboratory expenses	39,146	37,981
Communication and stationery	10,189	13,975
Security expenses	11,759	12,784
Stock written off	15,410	6,307
Stores and spares written off	4,714	-
Other expenses	42,565	42,168
	13,702,400	14,008,469
Opening stock of work-in-process	577,804	393,719
Closing stock of work-in-process	(508,555)	(577,804)
Cost of goods manufactured	13,771,649	13,824,384
Opening stock of finished goods	2,149,817	1,549,994
	15,921,466	15,374,378
Closing stock of finished goods	(1,593,749)	(2,149,817)
Cost of samples shown under selling, marketing and distribution expenses - sales promotion	(76,924)	(116,251)
	14,250,793	13,108,310
Trading goods		
Opening stock of finished goods	830,085	811,763
Purchase of finished goods	2,817,775	2,854,738
	3,647,860	3,666,501
Closing stock of finished goods	(790,915)	(830,085)
Cost of samples shown under selling, marketing and distribution expenses - sales promotion	(38,789)	(12,998)
	2,818,156	2,823,418
	17,068,949	15,931,728

23.1 Salaries, wages and other benefits include Rs. 47.62 million and Rs. 39.14 million (2011: Rs. 47.20 million and Rs. 32.02 million) in respect of defined benefit plans and contributory provident fund respectively.

24. SELLING, MARKETING AND DISTRIBUTION EXPENSES

	2012	2011
	Rupees '000	
Salaries, wages and other benefits - note 24.1	886,567	807,992
Sales promotion	867,763	888,024
Advertising	333,870	323,369
Handling, freight and transportation	392,688	281,303
Travelling and entertainment	250,833	185,219
Depreciation	59,978	47,988
Vehicle running	68,124	46,174
Publication and subscriptions	31,579	29,633
Fuel and power	20,293	19,842
Communication	26,347	21,880
(Reversal of) / provision for doubtful debts	(11,001)	18,303
Repairs and maintenance	24,792	22,381
Insurance	21,585	22,329
Printing and stationery	15,075	11,703
Security expenses	11,280	10,143
Rent, rates and taxes	9,721	8,906
Canteen expenses	1,530	1,251
Training expenses	8,201	6,204
Other expenses	27,450	37,729
	3,046,675	2,790,373

24.1 Salaries, wages and other benefits include Rs. 34.75 million and Rs. 24.26 million (2011: Rs. 42.46 million and Rs. 26.68 million) in respect of defined benefit plans and contributory provident fund respectively.

25. ADMINISTRATIVE EXPENSES

	2012	2011
	Rupees '000	
Salaries, wages and other benefits - note 25.1	433,214	396,662
Depreciation	60,272	63,659
Communication	28,320	32,393
Training expenses	8,047	7,551
Legal and professional charges	44,254	37,753
Travelling and entertainment	22,864	16,160
Repairs and maintenance	34,204	22,093
Donations - note 25.2	23,011	15,145
Printing and stationery	9,917	10,931
Auditors' remuneration - note 25.3	10,689	9,582
Vehicle running	23,992	19,984
Security expenses	18,285	16,982
Publication and subscriptions	11,571	9,466
Rent, rates and taxes	6,702	7,374
Insurance	9,830	9,180
Canteen expenses	8,306	7,014
Restructuring cost	5,700	324,533
Other expenses - note 25.4	12,144	16,031
	771,322	1,022,493

25.1 Salaries, wages and other benefits include Rs. 11.73 million and Rs. 12.12 million (2011: Rs. 15.73 million and Rs. 9.94 million) in respect of defined benefit plans and contributory provident fund respectively.

25.2 Donations include a sum of Rs. 330 thousand (2011: Rs. 655 thousand) paid to Concern for Children Trust, B/63, Estate Avenue, S.I.T.E, Karachi and Rs. Nil (2011: Rs. 190 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, Ms. Pouruchisty Sidhwa, Executive, and Ms. Ayesha Muharram, Executive are trustees.

	2012	2011
	Rupees '000	
25.3 Auditors' remuneration		
Audit fee	4,500	4,800
Fee for review of half yearly financial statements, special certifications and others	4,005	4,010
Taxation services	1,500	283
Out-of-pocket expenses	684	489
	10,689	9,582

25.4 These represent expenses of Rs. 214.10 million (2011: 69.13 million) net of recovery of Rs. 201.96 million (2011: 53.09 million) from related parties.

26. OTHER OPERATING EXPENSES

	2012	2011
Workers' Profits Participation Fund - note 19.2	125,236	121,588
Workers' Welfare Fund	42,334	50,409
Central Research Fund	25,047	22,069
	192,617	194,066

27. OTHER OPERATING INCOME

	2012	2011
Income from financial assets		
Return on PIBs	-	8,848
Return on Treasury Bills	19,004	68,907
Income on savings and deposit accounts	140,781	265,634
	159,785	343,389
Income from non-financial assets		
Gain on disposal of operating assets	60,537	43,852
Others		
Scrap sales	36,459	31,799
Insurance commission	20,424	25,256
Service fee on clinical trial studies	9,046	4,779
Liabilities no longer required written back	2,493	7,528
Others	463	5,324
	289,207	461,927

	2012	2011
	Rupees '000	
28. FINANCIAL CHARGES		
Exchange loss - net	31,196	19,455
Bank charges	16,095	16,237
Interest on Workers' Profits Participation Fund – note 19.2	221	834
	47,512	36,526
29. TAXATION		
Current		
- for the year	867,000	1,059,128
- prior years	(17,002)	25,000
Deferred	142,002	11,844
	992,000	1,095,972
29.1 Relationship between tax expense and accounting profit		
Profit before taxation	2,312,096	2,236,888
Tax at the applicable rate of 35%	809,234	782,911
Effect of final tax regime	191,156	233,919
Prior years' adjustment	(17,002)	25,000
Effect of flood surcharge	-	42,000
Tax effect of other than temporary differences	8,612	12,142
	992,000	1,095,972
30. EARNINGS PER SHARE		
Profit after taxation	1,320,096	1,140,916
Weighted average number of outstanding shares - note 30.1	263,196	263,196
Earnings per share - basic	Rs. 5.02	Rs. 4.33

30.1 The weighted average shares at 31 December 2011 have been increased to reflect the bonus shares issued during the year.

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.

31. CASH GENERATED FROM OPERATIONS

	2012	2011
	Rupees '000	
Profit before taxation	2,312,096	2,236,888
Add / (less): Adjustments for non-cash charges and other items		
Depreciation and impairment	353,524	393,481
Return on investments - PIBs	-	(8,848)
Gain on disposal of operating assets	(60,537)	(43,852)
Provision for staff retirement benefits	94,099	105,388
	387,086	446,169
Profit before working capital changes	2,699,182	2,683,057
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Stores and spares	(11,233)	(8,636)
Stock-in-trade	522,306	(1,289,991)
Trade debts	(6,958)	(47,642)
Loans and advances	(79,692)	(19,111)
Trade deposits and prepayments	(37,885)	41,577
Interest accrued	18,167	(12,712)
Refunds due from government	(23,655)	430
Other receivables	(119,164)	(26,844)
	261,886	(1,362,929)
Increase / (decrease) in current liabilities		
Trade and other payables	269,341	(3,988)
Provisions	(16,523)	86,238
	514,704	(1,280,679)
	3,213,886	1,402,378

32. CASH AND CASH EQUIVALENTS

	2012	2011
Cash and bank balances - note 14	2,117,626	2,128,926
Short term investment - Treasury bill - note 13	198,118	196,706
	2,315,744	2,325,632

33. SEGMENT INFORMATION

Management has determined the operating segments based on the information that is presented to the chief operating 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.

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 31 December 2012			Year ended 31 December 2011		
	Pharma-ceuticals	Consumer healthcare	Total	Pharma-ceuticals	Consumer healthcare	Total
	(Rupees '000)			(Rupees '000)		
Revenue - note 33.2	20,497,499	2,652,465	23,149,964	19,389,916	2,360,231	21,750,147
Cost of sales	(15,048,138)	(2,020,811)	(17,068,949)	(14,047,218)	(1,884,510)	(15,931,728)
Gross profit	5,449,361	631,654	6,081,015	5,342,698	475,721	5,818,419
Selling, marketing and distribution expenses	(2,477,618)	(569,057)	(3,046,675)	(2,300,204)	(490,169)	(2,790,373)
Administrative expenses	(715,054)	(56,268)	(771,322)	(983,597)	(38,896)	(1,022,493)
Segment results	2,256,689	6,329	2,263,018	2,058,897	(53,344)	2,005,553
Other operating expenses			(192,617)			(194,066)
Other operating income			289,207			461,927
Financial charges			(47,512)			(36,526)
Profit before taxation			2,312,096			2,236,888

33.2 There is no inter-segment sale.

33.3 Analysis of segments' assets and liabilities and their reconciliation to total assets and liabilities:

	As at 31 December 2012			As at 31December 2011		
	Pharma-ceuticals	Consumer healthcare	Total	Pharma-ceuticals	Consumer healthcare	Total
	(Rupees '000)			(Rupees '000)		
Segment assets	11,996,730	624,068	12,620,798	11,720,066	272,581	11,992,647
Unallocated assets			3,622,527			3,444,938
Total assets			16,243,325			15,437,585
Segment liabilities	3,363,061	135,140	3,498,201	3,073,551	159,429	3,232,980
Unallocated liabilities			1,273,533			1,096,033
Total liabilities			4,771,734			4,329,013

33.4 Other segment information is as follows:

	Year ended 31 December 2012			Year ended 31 December 2011		
	Pharma-ceuticals	Consumer healthcare	Total	Pharma-ceuticals	Consumer healthcare	Total
	(Rupees '000)			(Rupees '000)		
Depreciation and impairment	346,356	7,168	353,524	388,417	5,064	393,481
Salaries, wages and other benefits	2,433,786	85,361	2,519,147	2,305,669	67,014	2,372,683
Sales promotion and advertisement	784,672	416,961	1,201,633	848,544	362,849	1,211,393
Handling and freight	380,359	12,329	392,688	273,619	7,684	281,303

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	
	2012	2011	2012	2011	2012	2011
	(Rupees '000)					
Managerial remuneration	16,590	14,773	25,772	28,170	288,370	250,445
Bonus - note 34.1	19,927	16,019	25,316	25,354	135,745	123,579
Retirement benefits	3,903	3,476	6,670	7,290	68,900	59,176
House rent	6,787	6,043	11,597	12,677	119,803	102,894
Utilities	1,508	1,343	2,577	2,817	26,647	22,883
Medical expenses	78	134	470	419	12,455	10,718
Others	562	433	3,179	4,386	30,557	35,669
	49,355	42,221	75,581	81,113	682,477	605,364
Number of person (s)	1	1	5	6	228	228

In addition to the above, fee to three (2011: three) non-executive Directors during the year amounted to Rs. 275 thousand (2011: Rs. 300 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 based payments as Share Appreciation Rights (SARs) given to the Chief Executive, Executive Directors and certain executives amounting to Rs. 25.35 million (2011: Rs. 45.53 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.

35. TRANSACTIONS WITH RELATED PARTIES

Relationship	Nature of transactions	2012	2011
		Rupees '000	
Holding Company:	Dividend paid	736,942	640,723
Associated companies:	a. Purchase of goods	3,930,896	4,633,717
	b. Purchase of property, plant and equipment	191,320	-
	c. Sale of goods	110,754	159,192
	d. Royalty paid	-	133,218
	e. Royalty expense charged	216,909	193,429
	f. Recovery of expenses	100,505	54,088
	g. Service fee on clinical trial studies	9,045	4,779
	h. Donations	330	845
	i. Payment on behalf of associated company	109,609	-
Staff retirement funds:	a. Expense charged for retirement benefit plans	169,623	174,025
	b. Payments to retirement benefit plans	140,308	274,118
Key management personnel:	a. Salaries and other employee benefits	191,836	179,919
	b. Post employment benefits	19,965	17,173
	c. Sale of assets - sales proceeds	8,154	3,648
	d. Legal / professional fee	127	272

35.1 Balances of related parties as at 31 December 2012 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 (2011: Rs. 100 million). Rate of mark-up is three month KIBOR plus 1.25% (2011: three 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 31 December 2012 amounted to Rs. 2.43 billion (2011: Rs. 2.16 billion) of which unutilised balances at the year end amounted to Rs. 1.80 billion (2011: Rs. 1.14 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	1,816	1,838	3,654	49,290	80,121	129,411	133,065
Trade deposits	-	-	-	79,002	16,761	95,763	95,763
Trade debts	-	-	-	350,362	-	350,362	350,362
Interest accrued	-	-	-	12,205	-	12,205	12,205
Other receivables	-	-	-	413,891	-	413,891	413,891
Cash and bank balances	1,916,720	-	1,916,720	200,906	-	200,906	2,117,626
Treasury bill	198,118	-	198,118	-	-	-	198,118
31 December 2012	2,116,654	1,838	2,118,492	1,105,656	96,882	1,202,538	3,321,030
31 December 2011	2,235,162	1,322	2,236,484	876,434	92,463	968,897	3,205,381
Financial liabilities							
Trade and other payables	-	-	-	3,829,054	-	3,829,054	3,829,054
31 December 2012	-	-	-	3,829,054	-	3,829,054	3,829,054
31 December 2011	-	-	-	3,752,174	-	3,752,174	3,752,174
On balance sheet gap							
31 December 2012	2,116,654	1,838	2,118,492	(2,723,398)	96,882	(2,626,516)	(508,024)
31 December 2011	2,235,162	1,322	2,236,484	(2,875,740)	92,463	(2,783,277)	(546,793)

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 31 December 2012 the company does not have any borrowings. Further, the entire interest bearing financial assets of Rs. 2.12 billion (2011: Rs. 2.24 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 31 December 2012 amount to Rs. 998.41 million (2011: Rs. 762.38 million). The liability is mainly denominated in US Dollars. At 31 December 2012, 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. 49.92 million (2011: Rs. 38.12 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:

	2012	2011
	Rupees '000	
Trade debts	350,362	343,404
Loans to employees, trade deposits, interest accrued and other receivables	654,924	536,345
Investments	198,118	196,706
Bank balances	2,083,951	2,115,994
	3,287,355	3,192,449

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. 114.44 million (2011: Rs. 124.47 million) are past due of which Rs. 36.55 million (2011: Rs 47.55 million) have been impaired. Past due but not impaired balances include Rs. 22.35 million (2011: Rs. 17.46 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 31 December 2012 there is no significant 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 18 February 2013 proposed a cash dividend of Rs. 4 per share (2011: Rs. 4 per share) amounting to Rs. 1.05 billion (2011: Rs. 0.96 billion) and proposed a transfer of Rs. 263.20 million from 'Unappropriated profit' to "reserve for bonus shares" (2011: Rs. 239.27 million from 'Unappropriated profit') for issuance of ten bonus shares for every hundred shares held (2011: ten 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 18 February 2013.

M. Salman Burney
Chairman / Chief Executive

Yahya Zakaria
Chief Financial Officer

GlaxoSmithKline

Form 34
Pattern of Shareholding

NUMBER OF SHAREHOLDERS	SHARES HOLDING From	SHARES HOLDING To	TOTAL SHARES HELD
1220	1	100	29,923
1327	101	500	399,763
906	501	1000	657,576
1348	1001	5000	3,178,953
340	5001	10000	2,407,514
135	10001	15000	1,656,668
73	15001	20000	1,287,392
51	20001	25000	1,148,396
21	25001	30000	575,334
22	30001	35000	706,225
6	35001	40000	230,612
11	40001	45000	466,381
10	45001	50000	485,982
10	50001	55000	515,173
5	55001	60000	290,708
5	60001	65000	307,508
1	65001	70000	66,925
2	70001	75000	145,852
7	75001	80000	535,087
2	80001	85000	165,251
4	85001	90000	349,788
1	90001	95000	90,644
5	95001	100000	500,000
5	100001	105000	510,634
1	110001	115000	114,987
1	120001	125000	121,067
1	130001	135000	133,428
1	135001	140000	137,189
1	145001	150000	148,810
2	155001	160000	316,962
1	180001	185000	181,084
1	195001	200000	197,131
1	200001	205000	202,099
1	230001	235000	230,232
2	250001	255000	502,789
1	295001	300000	300,000
1	300001	305000	305,000
1	330001	335000	331,771
1	390001	395000	392,500
2	395001	400000	800,000
1	725001	730000	728,704
1	740001	745000	744,776
1	895001	900000	895,589
1	2545001	2550000	2,548,195
1	4085001	4090000	4,086,454
1	7580001	7585000	7,584,039
1	8120001	8125000	8,121,283
1	14735001	14740000	14,735,113
1	32540001	32545000	32,544,818
1	170080001	170085000	170,083,788
5546			263,196,097

CATEGORIES OF SHAREHOLDERS

a)

Sr. No.	Categories of Shareholders	Number of Shareholders	Shares Held	Percentage (%)
1	Individuals	2,101	4,833,093	1.84
2	Investment Companies	4	2,498	0.00
3	Insurance Companies	1	1	0.00
4	Joint Stock Companies	10	25,109	0.01
5	Financial Institutions	2	4,992	0.00
6	Associated Companies	4	217,379,999	82.59
7	Central Depository Company (b)	3,419	40,914,663	15.55
8	Others (see below)	5	35,742	0.01
		5,546	263,196,097	100.00

Others:				
i	Mohsin Trust	1	21,862	0.01
ii	The Al-Malik Charitable Trust	1	774	0.00
iii	Securities Exchange Commission of Pakistan	1	1	0.00
iv	Punjabi Saudagar Multipurpose Co-operative Society	1	275	0.00
v	The Anjuman Wazifa Sadat-o-Momineen Pakistan	1	12,830	0.00
		5	35,742	0.01

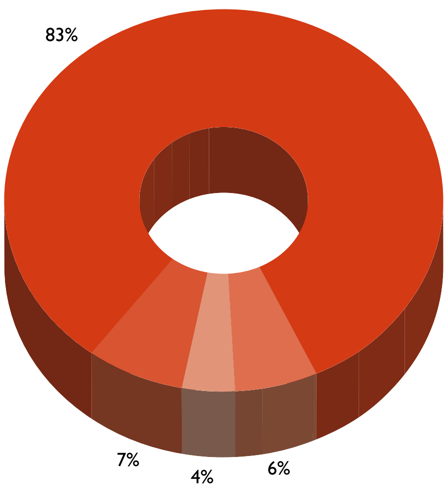
(b) **Categories of Account holders and Sub-Account holders as per Central Depository Company of Pakistan as at December 31, 2012**

Sr. No.	Categories of Shareholders	Number of Shareholder	Shares Held	Percentage (%)
1	Individuals	3,305	11,513,009	4.38
2	Investment Companies	8	375,155	0.14
3	Insurance Companies	10	9,471,780	3.60
4	Joint Stock Companies	60	1,099,078	0.42
5	Financial Institutions	11	16,476,713	6.26
6	Modarabas	3	34,225	0.01
7	Foreign Shareholders	9	1,479,592	0.56
8	Others (see below)	13	465,111	0.18
		3,419	40,914,663	15.55

Others:				
i	The Aga Khan University Foundation	1	29,348	0.01
ii	The Pakistan Memom Educational & Welfare Society	1	50,930	0.02
iii	Trustees Kandawala Trust	1	56,490	0.02
iv	Trustees Saeeda Amin WAKF	1	66,925	0.03
v	Trustees Mohammad Amin WAKF ESTATE	1	104,875	0.04
vi	Managing Committee Karachi Zorthosti Banu Mandal	1	23,978	0.01
vii	Trustees of Zafa Phar Lab. Staff P. Fund	1	13,834	0.01
viii	Trustees Gul Ahmed Textile Mills Ltd.	1	1,550	0.00
ix	Trustees Khorshed H. Dinshaw & Mr. Hosh	1	44,827	0.02
x	Trustees D.N.E. Dinshaw Charity Trust	1	60,836	0.02
xi	Centre For Development of Social Service	1	3,795	0.00
xii	Trustee A. Saadat & Co. Employees Gratuity	1	5,060	0.00
xiii	The Al-Malik Charitable Trust	1	2,663	0.00
		13	465,111	0.18

SHAREHOLDING INFORMATION

Categories of Shareholders	Number of Shareholders	No. of Shares Held	Percentage (%)
Directors and their spouse(s) and minor children			
Hussain Lawai	1	3201	0.00
Dr. Muzaffar Iqbal	1	1	0.00
Mr. Rafique Dawood	1	1	0.00
Mr. Shahid Mustafa Qureshi	1	3	0.00
Mr. Maqbool-ur-rehman	1	2152	0.00
Mr. Muhammed Salman Burney	1	3952	0.00
Associated Companies, undertakings and related parties			
S.R.One International B.V. Netherlands	2	202,628,606	76.99
SmithKline Beecham Nominee Ltd.	1	16,280	0.01
Stiefel Laboratories (Ireland) Ltd.	1	14,735,113	5.60
Executives	4	9,359	0.00
Public Sector Companies and Corporations	10	20,762,785	7.89
Banks, development finance institutions, non-banking finance companies, insurance companies takaful, modarabas and pension funds	25	5,262,719	2.0
Mutual Funds			
CDC - Trustee First Dawood Mutual Fund	1	305,000	0.12
CDC - Trustee AKD Index Tracker Fund	1	14,259	0.01
FIRS Capital Mutual Fund Limited	1	10,000	0.00
MCBFSL-trustee URSF-equity Sub Fund	1	8,087	0.00
MCBFSL-trustee UIRSF-equity Sub Fund	1	4,716	0.00
CDC - Trustee KSE Meezan Index Fund	1	30,803	0.01
General Public			
a. Local	5396	16,327,433	6.20
b. Foreign	9	1,479,592	0.56
Others	86	1,592,035	0.61
Totals	5546	263,196,097	100
Share holders holding 5% or more			
S.R. One International B.V. Netherlands	2	202,628,606	76.99
Stiefel Laboratories (Ireland) Limited	1	14,735,113	5.60



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-SIXTH Annual General Meeting of the Shareholders of the Company will be held at the Beach Luxury Hotel, Karachi at 11:30 a.m. on Thursday, April 18, 2013 to transact the following business:

A. ORDINARY BUSINESS

1. (a) To receive and adopt the Report of the Directors and the Accounts for the year ended December 31, 2012 and the Auditors' Report thereon;

   (b) to approve the payment of a dividend.

2. To appoint Auditors and fix their remuneration.

B. SPECIAL BUSINESS

To consider and if thought fit to capitalize a sum of Rs.263.20 million out of the Unappropriated profit of the company for the issuance of 26,319,610 bonus shares in the proportion of ten ordinary shares for every one hundred ordinary shares held by the Members of the Company as on April 12, 2013.

By Order of the Board

Karachi
March 28, 2013

Shahid Mustafa Qureshi
Director/Company Secretary

Notes:

1. The individual Members who have not yet submitted photostat copy of their valid Computerized National Identity Card (CNIC) to the Company are once again requested to send their CNIC (copy) at the earliest directly to the Company's Share Registrar at Central Depository Company of Pakistan Limited, CDC House, 99-B, Block - B, S.M.C.H.S., Main Shahra-e-Faisal, Karachi.The Corporate Entities are requested to provide their National Tax Number (NTN) and Folio Number along with copy of the CNIC. Reference in this connection be made to the Securities and Exchange Commission of Pakistan (SECP) Notification dated August 18, 2011, SRO 779(I) 2011, which mandates that the dividend warrants should bear CNIC number of the registered member 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 Final Dividend and for determining the entitlement for the issuance of bonus shares from April 12, 2013 to April 18, 2013 (both days inclusive).Transfers received at the Office of the Share Registrar of the Company at Central Depository Company of Pakistan Limited, CDC House, 99-B, Block - B, S.M.C.H.S., Main Shahrah-e-Faisal, Karachi at the close of business on April 11, 2013 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 Registrar of the Company at Central Depository Company of Pakistan Limited, CDC House, 99-B, Block - B, S.M.C.H.S., Main Shahra-e-Faisal, Karachi 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

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

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 I-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

GLOSSARY

TERM	DEFINITION
AMP	African Malaria Partnership
AO	Assessing Officer
AWD	All World Developed
CHC	Consumer Health Care
CIRA	Commissioner of Inland Revenue (Appeals)
CSR	Corporate Social Responsibility
EBIT	Earnings Before Interest and Taxation
EBITDA	Earnings Before Interest, Taxation, Depreciation and Amortization
EHS	Environment, Health and Safety
EIRIS	Experts In Responsible Investment Solutions
EMAP	Emerging Markets Asia Pacific
EPS	Earnings Per Share
FPAP	Fire Protection Association of Pakistan
GAVI	Global Alliance for Vaccines and Immunization
GMP	Good Manufacturing Practices
GMS	Global Manufacturing and Supply
GSKP	GlaxoSmithKline Pakistan
HFA	Hydro Flouro Alkane
HR	Human Resources
HRM	Human Resource Management
IAS	International Accounting Standards
ICAP	Institute of Chartered Accountants Pakistan
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
ITAT	Income Tax Appellate
KIBOR	Karachi Interbank Offer Rate
LOTO	Lock-Out-Tag-Out
MAP	Management Association of Pakistan
MAPS	Medical Approval System
MCH	Mother-Child Health Center
MDI	Metered Dose Inhalers
MEA	Middle East and Africa
NBFI	Non-Bank Financial Institution
NBV	Net Book Value
NEQS	National Environmental Quality Standard
NFEH	National Forum for Environmental Health
NGO	Non Government Organization
NTD	Neglected Tropical Diseases
PIB	Pakistan Investment Bond
QMS	Quality Management System
R&D	Research and Development
RMCB	Risk Management and Compliance Board
T-Bill	Treasury Bill
UNDP	United Nations Development Programme
ZAG	Zero Access Guarding

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 Thursday, April 18, 2013 and at any adjournment thereof.

As witness my/our hand(s) this _____ day of _______________ 2013.
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 Registrar of the Company at Share Registrar Department, Central Depository Company of Pakistan Limited, 99-B, Block 'B', S.M.C.H.S., Main Shahra-e-Faisal, Karachi 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

Share Registrar Department
Central Depository Company of Pakistan Limited
CDC House, 99-B, Block 'B',
S.M.C.H.S., Main Shahra-e-Faisal,
Karachi – 74400, Pakistan

Do more, feel better, live longer

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