do more
feel better
live longer

GlaxoSmithKline Pakistan Limited
Management Report 2013

Health for all

Health for all

At GSK, our passion to cater to the needs of our customers lies at the heart of our every endeavor.

As a socially responsible global healthcare company, securing wellness and providing access to quality products that touch the lives of millions of people every day is our primary focus.

This commitment has enabled us to develop a legacy and deliver breakthrough products of value that enable our customers to do more, feel better, live longer.

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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
Non-Executive Director

Mr. Maqbool ur Rehman
Sales Director

Mr. Yahya Zakaria
Director Finance

Audit Committee

Mr. Rafique Dawood
Chairman

Mr. Husain Lawai
Member

Mr. Mehmood Mandviwalla
Member

Human Resource & 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. Yahya Zakaria
Director Finance

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

Country Compliance Officer/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
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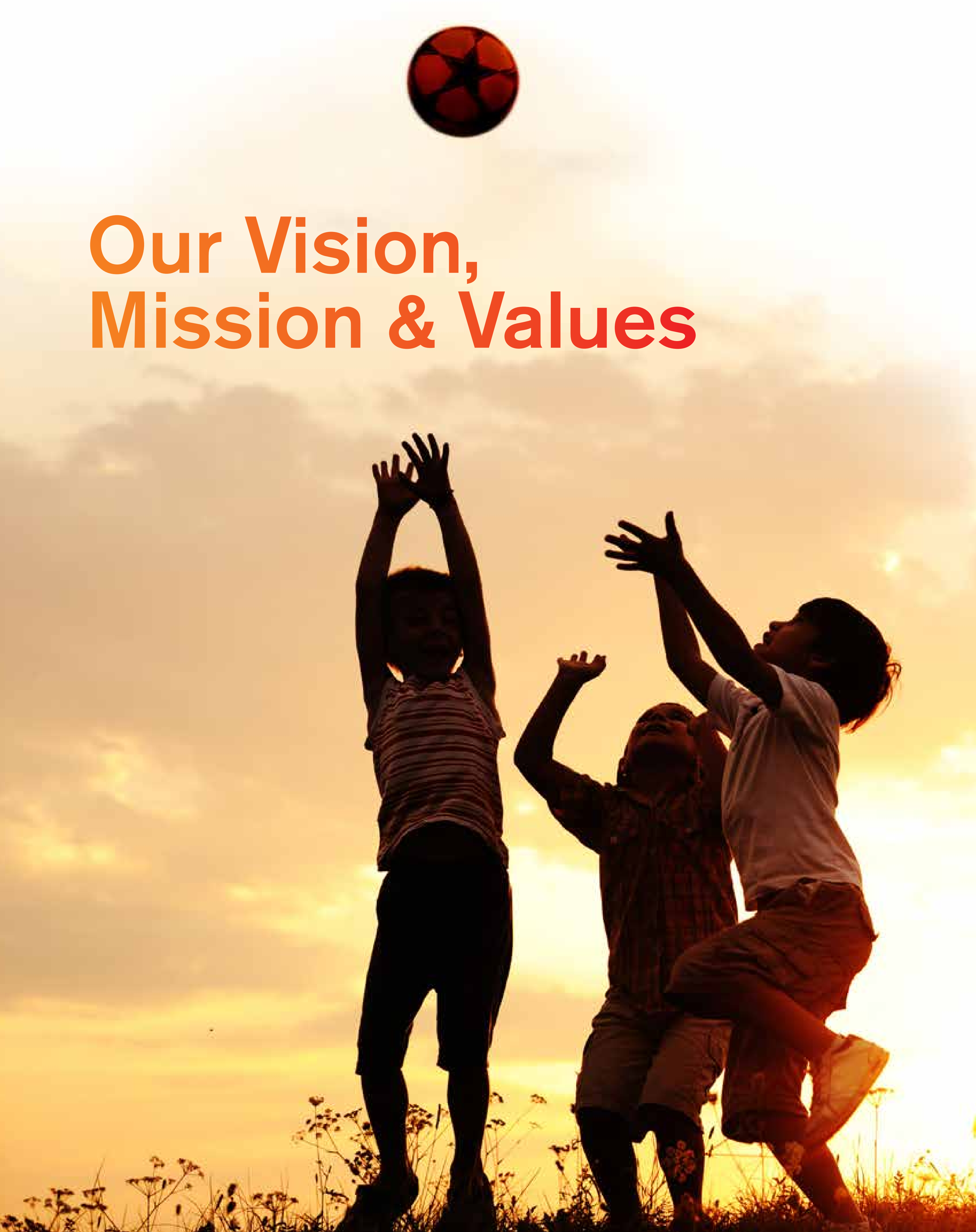
Our Vision, Mission & Values



Our Vision

GSK's vision is inspiring:

"The opportunity to make a difference to the millions of lives everyday"

At GSK we perform in unison, by following our strong 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.

Our Mission

GSK'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 our business, employees and customers. Our employment practices are designed to create a culture, in which all GSK employees feel valued, empowered and inspired to achieve our goals.

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

As our business evolves to meet global challenges, so do our existing systems for which transparency is integral. By being transparent about what we do and how, we earn and build trust.

Integrity

Our guiding principles go beyond complying with legal and ethical regulations. Each member of the GSK family takes pride in doing what is right for the patients and consumers, placing them at the heart of every decision we make. In doing so, we demonstrate integrity in action, at every level, every day.

Our Behaviors

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 behaviors:

Flexible Thinking

We explore multiple options for problem-solving.

Customer Driven

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

Enable & Drive Change

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

Developing People

Empowered employees take initiatives and provide creative solutions to challenges.

Continuous Improvement

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

Building Relationships

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

Strategic Priorities

We are focused on the delivery of five strategic priorities to achieve our mission of helping people do more, feel better and live longer.

Everyone at GSK has a role to play in delivering our strategic priorities:

Grow a diversified, global business

We are creating a more balanced business with a wider global reach and broad portfolio. This expands access to our products and produces sustainable growth for our shareholders.

Deliver more products of value

We are investing in innovation to improve our ability to create new medicines, vaccines and consumer healthcare products that offer valuable improvements in treatment.

Create a culture of individual empowerment

We are building a culture where employees are empowered, united by our values and able to achieve great things.

Simplify the operating model

As our business continues to change shape, we are transforming how we operate so that we can reduce complexity and become more efficient. This is allowing us to free up resources to invest in other areas of the business and improve shareholder returns.

Building trust

We are committed to operating responsibly and ensuring that our behaviour and actions meet or exceed the expectations of society.

Organogram

- Vice President & General Manager
  - Business Unit Head - Primary Care 1
  - Business Unit Head - Primary Care 2
  - Business Unit Head - Vaccines
  - Head of Public Affairs & Communication
  - Business Unit Head - Dermatology
  - Director Medical Affairs
  - Head of Commercial Excellence
  - Head of Regulatory Affairs
  - Head of Business Development

(GLOBAL REPORTING)

- Legal, Corporate Affairs, Industrial Relations, Administration & Regulatory Affairs Director/ Company Secretary
- Director Human Resource
- Director Finance
- Head of Information Technology
- Country Compliance Officer/Chief Internal Auditor
- Global Manufacturing and Supply
  - Site Director (F/268)
  - Site Director (Korangi)
  - Site Director (West Wharf)


General Manager
Consumer Healthcare
(GLOBAL REPORTING)
Head of Sales
Head of Marketing
Expert Detailing Manager
Financial Controller
Regulatory Affairs &
Quality Manager
Senior Demand
Forecasting Manager
Customer Services &
Logistic Manager

Ethical Leadership

At GSK, we are committed to create a strong ethical culture, where being patient focused is the core principle of being a responsible pharmaceutical company. We believe in complying with the Code of Corporate Governance in letter and spirit as this facilitates the promotion of good governance in our organization, while our core values of Respect for people, Patient focused, Transparency and Integrity underpin this belief.

Code of Conduct Highlights

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 in 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 2 to 3 of the Financial Report.

QMS

Quality is embedded in everything we do

The Quality Management System (QMS) at GSK Pakistan is oriented towards providing safe, effective and stable products to patients. GSK continuously strives to improve and evolve current practices and procedures by aligning local Standard Operating Procedures with new quality requirements. To maintain the trust of our patients, we focused on the following in 2013:

- A number of workshops were planned and carried out in-house and across our locations to synchronize quality standards
- Quality measures were introduced and implemented at the distribution level which is a key component of our business
- Process controls and QMS dashboards were developed to be applied across our multiple warehouses and facilities
- We became the first company in Pakistan to implement a validated passive packaging system for vaccines distribution

In 2014, we have planned to map out several additional ventures to sustain and enhance our current quality systems in order to deliver quality products to our patients.

Timeline of Major Events 2013

Jan

Feb
- GSK Pakistan awarded Winning Science in Action award

Mar
- Pharma-Consumer (RxCx) collaboration in Pakistan
- Launch of Rotarix™ Liquid
- GSK Pakistan awarded the Emerging Market & Asia Pacific (EMAP) President's Award

Apr
- Rollout of World Immunization Week awareness campaign
- Annual General Meeting of 2012

May
- Launch of Augmentin™ BD Suspension 457mg

Jun
- Hydrozole crossed annual sales of Rs. 100 million

Jul

Aug

- GSK Pakistan receives Corporate Report Award

Sep

Oct

- Urology Portfolio revenues cross annual benchmark of Rs. 100 million
- Launch of Ventolin™ Evohaler™
- Revenues earned by FixVal cross Rs. 100 million annually

Nov

- Dermovate™ achieves Rs. 500 million annual sales
- Launch of Pharmacist Academy programme
- Initiation of World Pneumonia Day awareness campaign

Dec

- Augmentin™ becomes first Rs. 4 billion pharma brand in Pakistan
- Annual revenues earned by Theragran Ultra cross Rs. 200 million
- Panadol® sales achieve Rs. 2 billion mark annually
- FefolVit surpasses Rs. 500 million in annual sales

Environment, Health & Safety

GSK Pakistan is committed to a safe and accident free environment. Safety is a priority that should never be compromised. 2013 witnessed major improvements and accomplishments in all Environment Health & Safety areas:

Environment

Two of the major improvements to help support our environment were installation of water recycling plant and using the recycled effluent water for gardening (to reduce our water consumption), and a reduction in the generation of hazardous waste from our processes.

Health

The health of our employees is also a major priority, and initiatives were undertaken to address and eliminate Occupational Health (OH) hazards. One of the achievements of 2013 was the identification of high noise areas and elimination through engineering controls. Also, a global initiative of Workstation Safety Plus program was successfully launched, which aimed at desktop users to help reduce Musculoskeletal Disorders. Ergonomic risk in the Spansules Department was also mitigated through appropriate OH and engineering efforts.

Safety

There was a substantial increase in the number of Zero Accident Promotion (ZAP) reporting and closures. This year, focus was given on both the quality of ZAPs and closure as well. The increase in ZAPs resulted in a reduction of on-site accidents. Another major safety improvement was the replacement of a conventional with addressable fire alarm system. In case of any fire hazard, the new system will help identify the location of the emergency.

Global Manufacturing & Supply

Further Application of High-Speed Filling in the Topical Ointment Line

To fulfill the growing needs of patients at the end of our supply chain, a new state of the art tube filling and packaging machine has been installed in the ointment department. The IWKA is a high speed machine with a speed of filling up to 300 tubes per minute as compared to 75 tubes per minute for the previous machine. The main advantage of this upgrade is that the risk of shortage has now been mitigated. Other benefits include reduction in waste, sustainable zero access guarding as per Global Engineering Standard (GES) 110, reduction in defects and ergonomic improvement through elimination of manual feeding in tube cartoner.

Quality Laboratory Renovation

The products being delivered to patients and customers must be of the utmost quality. That is why laboratory operations is a crucial part of the process of delivering the right products to patients at the right time. Keeping this in mind, in the last quarter of 2013, lab operations were renovated and upgraded to incorporate the latest standards. Some critical changes were made in the infrastructure which will lead to better compliance, better visibility and improved workflow, and ultimately to an improvement in Good Laboratory Practice.

R&D

GSK has a rich pipeline with several drugs in different therapeutic areas, which have recently been developed (approved in the US, EU or both) or are at the final stage of development. Some of the more significant achievements are highlighted below:

Malignant Melanoma

Each year, melanoma is diagnosed in nearly 160,000 people worldwide. A combination treatment from GSK for this deadliest form of skin cancer has won accelerated approval from U.S. regulators.

Diabetes Mellitus

In the field of diabetes (type 2), GSK has developed a long-acting GLP-1 agonist, injected once a week, which mimics the actions of the natural hormone. GLP-1 agonists reduce glucose levels and lower the risk of hypoglycemia and weight gain commonly associated with other treatments for type 2 diabetes.

Chronic Obstructive Pulmonary Disease (COPD) and Asthma

We continue to lead in the field of asthma and COPD. A new combination of two different compounds administered once daily targets respiratory disease through two different pathways. By bronchodilation through the long-acting beta2 agonist (LABA) and relief from inflammation of airways provided by the inhaled corticosteroid (ICS).

Another combined therapy approved in the US as a combination inhaled anticholinergic/long-acting beta2-adrenergic agonist is amongst the first once daily LABA/LAMA combination treatment indicated for the long term maintenance treatment of COPD.

To administer both combination treatments, GSK has developed an innovative inhaler device that delivers the two medicines in separate strips but at the same time.

Information Technology

At GSK Pakistan, we have aligned Information Technology with the strategic direction of our business. Information technology and its solutions are all about enabling our teams to communicate within GSK and externally with health care professionals. We save time and travel cost by using state-of-the-art IT communication tools and technologies to keep connected with our local sales and marketing teams. These tools also help us to interact seamlessly with our teams using technology enabled communication tools for virtual meetings.

By implementing and upgrading systems as part of our strategic journey, we deliver life-enhancing healthcare. As our business continues to change shape, we are transforming how we operate in order to reduce complexity and become more efficient in our processes. As technology trends towards digital enablement, we are also developing a digital capability framework to engage HCPs via email, webcasts, websites, learning portals, mobile applications, social media and e-detailing on handheld tablet computing devices. Therefore, IT plays a key role in helping us achieve our goals and connecting with patients and customers.

Information is one of our most valuable assets, and at GSK, we are committed to safeguard information pertaining to our employees, complementary workers, shareholders and other third parties. For this purpose, GSK has devised a system to protect the records of the Company, which focuses on categorizing proprietary information based on its level of risk.

In 2013, the overall IT infrastructure has been enhanced to provide uninterrupted services to meet changing business needs, with enhancements in our CRM solution and new analytical tools to support decision-making at all levels of the organization. In 2014, we plan to rollout some modules of SAP in the finance planning and also a new HR system. In addition, there are plans to enhance the digital capability of our teams and rollout handheld tablet computing devices to about 30% of the sales force, which will enable us to engage more effectively with HCPs and provide information to our customers.

Awards for the Year 2013

Winning Science in Action

Consumer Healthcare (CHC) received an award for the "Winning Science in Action" category of GSK CHC's Global Winning Performance awards for innovatively addressing the dengue epidemic which affected Punjab in 2011. The lack of public awareness had created panic across the province when over 10,000 patients contracted the dengue virus, which resulted in 300 deaths over a 2-month period. GSK CHC proactively committed itself to help prevent the recurrence of a similar epidemic by initiating a direct mass contact campaign, which was used to create awareness amongst 35,000 consumers & healthcare professionals.

CHC Pakistan conducted a series of programs, events and activities on prevention, protection and treatment of dengue in which Panadol® (Paracetamol) was highlighted as the top-of-mind drug and first choice of therapy for shoppers, customers and medical experts.

Best Corporate Report Award

GSK Pakistan was awarded 5th position for "Best Corporate Report Award 2012" in the Chemical Sector. This award was presented to GSK by The Joint Committee of The Institute of Chartered Accountants of Pakistan (ICAP) and the Institute of Cost and Management Accountants of Pakistan (ICMAP). This award has been instrumental in encouraging local companies to follow transparency in preparing their annual reports according to international best practices.

Emerging Market & Asia Pacific (EMAP) President's Award

GSK Pakistan received the 2012 EMAP President's Award (awarded in March 2013) in the "Build and Capture Vaccines" category with its "Successful Introduction of Pneumococcal Vaccine in the EPI Programme" campaign. The recipients of the award are Salman Burney, Pervaiz I. Awan, Erum Rahim, Khurram Hanif, Munir Tahir Sandhu, Dr. Sanjoy Datta, and Dr. Naved Masoom Ali.

The President's Award is designed to acknowledge and reward exceptional performances that support EMAP's vision of being a leading, pioneering company that provides access to medicines for the masses.

Building Excellence through Human Resources

At GSK we strive to attract and retain the best talent – our most valuable resource that drives the Company towards enhancing and sustaining performance. In Pakistan, GSK is equipped with a diversified talent pool that helps the Company maintain its leadership position in the competitive environment of Pakistan's pharmaceutical industry. We endeavor to provide our people a fulfilling and healthy environment where they can learn, grow and develop.

Talent Acquisition

While we continued our efforts to acquire the best talent at various levels, the highlight of acquisition efforts this year was the roll out of GSK Pakistan's Future Leaders Programme (FLP). The FLP was launched to the top Business and Pharmaceutical institutes of the country using an "accelerated development" approach to nurture GSK's future leaders. These programmes are a proven way to strengthen our leadership pipeline while building breadth and adaptability to support our organization in a rapidly changing environment. During our visits to various universities, we introduced graduates to GSK's global and local organization, whilst highlighting the openness in GSK's culture, the value added by our people and the developmental opportunities available to all our employees.

Employee Development

GSK continued to provide developmental opportunities to its employees at all levels, with the aim of enhancing their leadership and management skills, to enable them to maximize their potential and help achieve individual and organizational goals.

A variety of workshops were conducted in 2013 that included trainings focused on tools to help achieve Accelerated Delivery & Performance and Project Management, as well as those which aim to add value to the employee's personal development, such as Communication Skills and IT Essentials.

In 2013, one such training that focused on developing the managerial ability of employees at various stages of their careers was the First Line Leader Experience (FLLE).

In order to encourage and support continuous learning, Harvard Manage Mentor (HMM) was officially launched at GSKP this year. HMM is a global web-based tool that compliments GSK's self-development culture and is now available to ALL GSK employees. HMM modules are aligned to the Leadership Framework, Leadership Expectations and GSK Strategy. The 38 HMM modules provide a rich source of video, podcasts, worksheets, text, content, business and Harvard Business Review articles, and special packs to facilitate group learning sessions.

Employee Engagement

At GSK Pakistan we value the feedback provided by our employees and ensure that the same is incorporated in the way we work. GSK's commitment to employee involvement is evidenced by the fact that the employee survey is a regular practice which enables us to continue doing what we do best and focus on areas of improvement. To reinforce that belief, a follow up to last year's global GSK survey was conducted in 2013 to gauge levels of employee engagement from across the organization on 5 key areas namely GSK Values, Engagement, Sustainability and Resilience, Change Management and Empowerment.

Employee Awareness

In 2013, the HR Services team conducted policy awareness sessions in different cities in order to enhance employees' understanding of company policies and processes. This year's sessions were conducted for permanent and outsourced staff across all GSK Karachi sites, as well as for sales teams in Lahore, Karachi, Faisalabad, Multan, Peshawar and Islamabad.

New Performance Management System

With the changing competitive landscape and our continued focus on patient health and well being, GSK is determined to motivate employees who deliver their very best. Thus, a New Performance Management System has been launched in 2013, which will help inculcate enterprise thinking with effective leadership and accelerated deployment of strategy.

It also encourages a more proactive approach to managing performance and enabling employees by providing:

- Clear description of what is expected from them
- Tools to help manage performance proactively
- A new performance measurement scale
- A Bonus Plan which will reward employees for achievement of individual objectives, delivered in line with our Values and the new Leadership Expectations.

All in all, GSK firmly believes that the New Performance Management System will facilitate increased patient focus and greater access to its products for all.

Medical Affairs

Medical Governance is a system of principles, policies and accountabilities which ensure that we apply the generally recognized philosophy of good medical science, medical integrity, ethics and standards to the development and marketing of drugs, vaccines and medicinal products. Under the umbrella of Medical Governance, GSK Pakistan has focused on its three domains: clinical research, pharmacovigilance and medical affairs. This year, our primary focus has been on patient safety and hence interaction with healthcare professionals was designed in a manner to enable HCPs to make evidence based decisions, ultimately resulting in the benefit of patients. Complying with global requirements, GSK Pakistan further enhanced the local tracking process for tracking healthcare professional/ organization payments. In order to provide up-to-date safety information to healthcare professionals, we reviewed all our promotional material as well as our labels and ensured that they reflect the most up-to-date safety information. On the Research & Development front, GSK Pakistan has maintained its leadership position in Pharmaceutical clinical trials for several years. The allocation of vaccine trials and other bioequivalence studies has further strengthened the Research & Development portfolio.

Dermatology

With its wide range of products, Stiefel Pakistan is a global contributor in the Dermatology segment and adds value to GSK's diversified global business. Our success lies in the diversity we provide to patients and consumers, catering to their needs through a variety of our skincare products. Our vision is anchored in our ability to deliver broad spectrum science-led innovative skincare products. The Stiefel Pakistan team is highly committed to ensure that our patients and consumers benefit from healthy and radiant skin by using quality branded products.

Stiefel Pakistan, a GSK company, continues to enjoy market leadership in dermatology and has achieved significant milestones in 2013 that include:

- Dermovate™ – a widely used super potent topical steroid which provides relief to patients suffering from Psoriasis, achieved the Rs. 500 million mark
- Hydrozole – a topical antifungal that provides rapid relief for nappy rash, itching and other fungal disorders, surpassed the Rs. 100 million mark
- Featuring in the Stiefel Global Dermatology Academy for Total Dermatology Solution Best Practice around the world

Consumer Healthcare

Consumer Healthcare has once again performed consistently in 2013. The business has heavily invested time and resource in its key brands that include Horlicks®, Sensodyne® and Panadol® to enable the Company to best cater to the needs of its customers. Despite economic challenges, the business, has achieved over 30% increase in sales as compared to 2012. Consumer Healthcare takes pride in providing quality products to customers to help realize GSK's mission to enable people to "do more, feel better, live longer".

Panadol® – Project Lullaby

While reaching out to 2 million Pakistani mothers can be considered an achievement in itself, the Panadol® team was driven to do more for its customers. Hence, the team organized "Project Lullaby", a training program exclusively for mothers in rural and urban areas of Pakistan. Access was achieved through 2,500 vaccinators, who collaborated closely with the Public Immunization Department to ensure the efficient and effective execution of this initiative.

This project helped bolster Panadol's position as the No.1 Analgesic brand in Pakistan with the highest prescription share in this category. The Project Lullaby initiative, which will be extended into 2014 aspires to double its access to patients while communicating the significance of vaccination to mothers so they can better cater to the healthcare needs of their children.

Horlicks' Success Story

In March 2013, Horlicks® launched the "Taller, Stronger, Sharper" campaign followed by its innovative "Summer Shaitani" campaign and both unquestionably struck a winning chord with customers. The campaign generated excitement around the brand, acting as a catalyst in tripling its retail coverage footprint and resulting in 104% sales growth in 2013.

Vaccines
Leading the way to prevention

World Pneumonia Day

Aligned with GSK's commitment to increase awareness for life-threatening diseases and improving the quality of human life, GSK Vaccines utilized the platform of World Pneumonia Day (WPD) to generate awareness on pneumonia, a leading cause of death in children under 5 years of age. A range of activities were conducted during this time which included the airing of doctor testimonials by leading experts in Paediatrics on prime TV & radio channels, media seminars, journalist workshops and multiple health programs with renowned health experts emphasizing the disease burden of pneumonia and the importance of immunization.

World Immunization Week

As an initiative to raise public awareness about vaccine-preventable diseases and improve national vaccination coverage, GSK Pakistan utilized the platform of "World Immunization Week" in April to increase overall awareness on the importance of Immunization among healthcare professionals and the public. Multiple events were conducted which included journalist workshops, media seminars, radio, and TV programs featuring leading experts in the field of Paediatrics. Additionally, the entire GSK field force was utilized to extend the reach of our message, and endorse the importance of immunization by putting up "Immunization Week" badges and sharing Immunization awareness materials with nationwide healthcare professionals.

Flu Vaccine - Exceeding Expectations

During winter, GSK actively conducted disease awareness activities on influenza targeted to help protect 90,000 people. The campaign included activation of 9,000 pharmacies and 300 clinics across Pakistan through awareness material which included awareness banners, educational booklets, and posters. Awareness sessions were also conducted simultaneously at corporate organizations to educate a wider audience on the benefits of protecting themselves against influenza.

Vaccines Digital Launch

With the advent of the digital era, the Pakistan Vaccines team is working towards developing an innovative online tool to facilitate parents to keep track of their child's vaccination schedule and details. The website, www.vaccination.pk will offer free information and reminders about upcoming vaccinations via email or SMS to registered members. Additionally, users will also have access to extensive information via SMS on diseases and vaccines regardless of where they are and what mobile device they use. The website is currently in its final development stage and a roll out is planned for early 2014.

Know Hepatitis A, to Stay Away!

A disease awareness campaign on Hepatitis A was conducted in more than 25 schools around Pakistan in which presentations were focused towards teachers, mothers and students to increase awareness of Hepatitis A in Pakistan, its severity and method of prevention.

Value of Vaccines

2013 witnessed an enhanced emphasis from the GSK's Vaccines portfolio on the importance of prevention through continued initiatives that aim to broaden the scope of vaccination in Pakistan. The launch of the New Mother's campaign focused to strengthen child vaccination along with an aggressive effort towards adult vaccination that highlighted the importance of vaccination for all ages and not just limited to children.

GSK Pakistan took an initiative to create access to vaccination and collaborated with Essa Labs to develop vaccination centres at three of its major outlets in Karachi. GSK also collaborated to set up a health centre at Farid's Supermarket, offering shoppers the additional value of health check-ups and vaccination services under one roof for the convenience of the general public.

Corporate Social Responsibility

GSK is dedicated to being a socially responsible global healthcare company that places emphasis on the values of transparency, respect for people, integrity and patient focus. Our values and principles form the core of all our decision making, where we aim to put patients first in order to enable them to “do more, feel better, live longer”.

In accordance with GSK's Corporate Responsibility principle, we aim to uplift the community by investing in health and education programmes and partnerships with organizations that aspire to bring value to the communities they work for, thus bringing sustainable improvements in the lives of under-served people of the developed and under-developed world.

At GSK, corporate citizenship is amalgamated at every level, where our work demonstrates ethical practices across all fronts, from marketing activities, ethical research and development, to environmental protection, community support and development.

GSK in the Community

GSK strives to make a difference in the lives of communities around the world, by investing in programmes and collaborating with partners to solve healthcare challenges via novel solutions. Our dedication towards improving the lives of people is unwavering, and we continue to find ways to invest in programmes that make a difference.

Our programmes include:

CARE Initiative

Since 2009, GSK has been a committed partner in finding healthcare solutions by investing in Lesser Developed Countries (LDCs).

In 2011, GSK partnered with CARE International for their strong regional presence and expertise in health programme delivery. CARE is a leading humanitarian organization fighting global poverty, where women are at the heart of CARE's community-based efforts to improve healthcare and basic education.

The Fight Against Malaria

Malaria is a devastating disease that adversely affects people, communities and economies worldwide. This disease puts an estimated 3.3 billion people at risk, affects around 215 million people annually and causes approximately 660,000 deaths each year.

The fight against this disease needs to be conducted on several levels and is currently being fought through traditional means that include indoor residual spraying, insecticide-treated bed nets, effective medicines and other treatments. GSK is committed to fight malaria by continuing to invest in programmes and projects that share a similar vision. The Company has focused on improved access of anti-malarial medicines to people living in Least Developed Countries and sub-Saharan Africa and has further invested in communities through the African Malaria Partnership (AMP), which supports programmes that manage and prevent the spread of malaria.

Another area of focus for GSK is the development and innovation of Anti-malarial medications. Being one of the only companies investing in research & development against malaria, we have the most clinically advanced malaria vaccine in development. This vaccine is being developed in partnership with the PATH Malaria Vaccine Initiative, along with other prominent African research centres. GSK is committed to make this available at a not-for-profit price, so that it is available to as many people as possible.

Continued support against Neglected Tropical Diseases (NTDs)

Neglected Tropical Diseases affect over a billion people globally, especially those with minimal access to basic facilities. GSK continues to support programmes that are trying to eliminate NTDs and has joined hands with other pharmaceutical companies, NGOs and governments across the globe to defeat these diseases.

In particular, GSK has extended its existing donation of albendazole to treat soil-transmitted helminthes by providing 400 million treatments each year up to 2020, as well as continuing its donation of 600 million tablets per year to combat lymphatic filariasis.

Orange United

Orange United is GSK's own employee volunteer campaign, where activities are conducted to raise funds to support programmes that aim to meet the healthcare needs of the world's most vulnerable children and help save their lives.

Across the globe, various GSK sites came together during Orange United Week to support healthcare programmes for children. Book and bake sales, Zumbathons and dodge ball competitions were held across the GSK community to raise funds for the cause. This gave multiple GSK sites an opportunity to work in unison towards changing the lives of children around the world.

CSR Initiatives
by GSK Pakistan

GSK Pakistan recognizes the importance of corporate citizenship and supports multiple programmes at the grass root level. These programmes range from healthcare, education and social development, to disaster relief efforts and volunteerism.

Flood Response

In response to the flood of 2012 that affected millions of people, especially women and children living in various districts of Baluchistan, Punjab and Sindh, GSK Pakistan continued to donate essential medicines in 2013. This contribution addressed the immediate healthcare needs of flood affectees, who did not have access to essential healthcare services.

Earthquake Relief

The devastating earthquake that struck in Avaran district of Baluchistan caused loss of human lives and seriously injured many individuals. GSK Pakistan helped assess the needs of these people and donated necessary medications to the affectees.

The company partnered with agencies such as the Pakistan Maritime Security Agency (PMSA) and the Pakistan Navy, who with their logistical capability established relief camps for those affected by the earthquake.

Bone Density Screening Programme

A significant population of the Parsi Community comprises of senior citizens, who are at high risk of fractures and Osteoporosis. GSK Pakistan partnered with BMH Parsi Medical Relief Association by donating funds to their cause so that the elderly could receive tests, physical examination and consultation free of cost.

This programme would pre-empt any mishaps and improve the quality of life of the elderly community.

As ongoing initiatives, GSK partners with two charitable organizations it helped establish:

Trust for Health and Medical Sciences

GSK continues its support for Trust for Health & Medical Sciences, a charitable clinic set-up in 1983 that charges a nominal fee for treating patients suffering from Diabetes, Asthma & Hypertension. The trust, which now incorporates several medical facilities, has treated over 2.7 million patients since its inception.

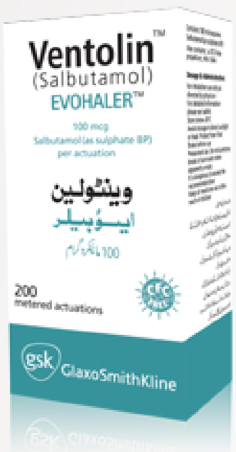
Concern For Children

Concern for Children is a charitable trust that was established with GSK's support in 1997 and partakes in projects focusing on the development of communities. CFC's mission is to plan and execute projects for sustainable development in Education, Health and Skills for Women & Children living in underserved communities.

With further support from GSK, CFC established the Mother Child Health Clinic (MCH) in Mohammadi (Machar) Colony, which provides fully-staffed, low-cost medical services to over 65 patients a day. In addition to free medicines which are provided by GSK, the clinic offers screenings, treatments, referrals, access to primary & preventive health care at nominal costs. The clinic also helps raise awareness of hygienic practices to the community.

GSK also supported CFC in Project Kitaab, which is a community driven project that focuses on the development of schools in Mohammadi Colony. This project aims to address problems such as unqualified teachers, infrastructure concerns, ventilation, sanitation, and shortage of school supplies, so that are these schools become self-sustainable in the long run, and are capable of providing quality education in an environment that is conducive to learning.

GSK Pharma
Launches 2013



Respiratory

(Salbutamol) Evohaler™

At GSK, we strive to build a legacy of innovative quality products that enable people to “do more, feel better, live longer”.

Keeping this in mind, the respiratory portfolio re-launched Ventolin™ Evohaler™ in 2013. This was an important milestone for the Company as Ventolin™ has been the brand of choice for asthmatic patients in Pakistan for over 25 years. Ventolin™ Evohaler™ provides short-acting (4 to 6 hours) bronchodilation with fast onset (within 5 minutes) in reversible airways obstruction.

An important feature of Ventolin™ Evohaler™ is the fact that it now contains the environmentally friendly propellant called Hydrofluoroalkanes (HFA) 134a, which replaces Chlorofluorocarbons (CFC), as its excipients. In addition to the environmental benefits, Ventolin™ Evohaler™ also offers other significant benefits to patients for the management and prevention of attack in mild asthma and for the treatment of acute exacerbations in moderate and severe asthma.

Anti-Infectives

(Co-amoxiclav)

A line extension of Augmentin™ by the name of Augmentin™ BD Suspension 457mg was launched in May 2013. Augmentin™ BD Suspension 457mg is a valuable addition to the Augmentin™ family, building upon the strong heritage of the Augmentin™ brand. The new SKU was introduced for its convenience to patients, enabling increased patient compliance and resulting in better treatment.

Vaccines

(Oral Rotavirus Vaccine)

GSK Vaccines re-launched Rotarix™ (Oral Rotavirus Vaccine) with a new, ready-to-use liquid formulation for the prevention of Rotavirus gastroenteritis among infants. Aligned with GSK's access pricing initiative, Rotarix™ Liquid was introduced at a lower price compared to the existing SKU. The new liquid formulation facilitates easy administration of the vaccine to infants, without any compromise on vaccine efficacy and effectiveness.

Achieving Milestones

Anti-Infectives

(Cefixime)

In 2013 FixVal was launched under the Value Health initiative, with the purpose to provide greater access of quality medicines to patients at affordable prices. While crossing the Rs.130 million sales mark, FixVal was the 2nd best launch in its category (Systemic Antibacterial), ranked 9th in terms of value and 6th in terms of prescriptions.

(Co-amoxiclav)

In 2013, GSK Pakistan's flagship brand Augmentin™ set a new benchmark of Rs. 4 billion in sales, making it the only brand in Pakistan's Pharmaceutical history to have achieved this milestone. This classic antibiotic aligns with GSK's commitment to provide patient focused solutions by delivering the reliability and quality that the Company is renowned for. It is widely prescribed by doctors in Pakistan as the first choice of antibiotics.

Multi-Vitamins

Theragran Ultra was launched by GSK Pakistan in 2012 to help people improve their lifestyle and well-being. This multivitamin, comprises of a unique combination of vitamins, minerals and electrolytes that benefit both men and women. Sales crossed the Rs. 200 million sales mark in its first full year in 2013, which gave it the No. 1 rank for a new product launch in Pakistan Pharma.

Iron Supplements

FefolVit was introduced into the market in 1981 for pregnant women, to help improve the quality of their lives. Adding to GSK's legacy, sales of FefolVit, an iron, vitamins and folic acid supplement, achieved the Rs. 500 million milestone in 2013.

Urology Portfolio

GSK Urology, which is one of the fastest growing portfolios in Pakistan, achieved the Rs. 100 million milestone for sales in 2013. Duodart™ is a treatment for Benign Prostatic Hyperplasia (BHP) that combines both alpha blockers and 5ARI agents to provide quick relief from Lower Urinary Tract Symptoms and prevents the development of long term complications. Moderate to severe BPH Patients now have access to a therapy which enables them to enjoy a better quality of life.

Analgesics

(Paracetamol)

Aligned with GSK's vision to make a difference to the lives of people, Panadol® has always strived to remain a product of quality and value to its customers. With more than 5 million prescriptions generated annually and sales crossing Rs. 2 billion mark in 2013, Panadol® has established itself as a household name in Pakistan.

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 holds the position of VP/GM for GSK in Pakistan 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 and Pioneer Cement Limited.

Mr. Husain Lawai

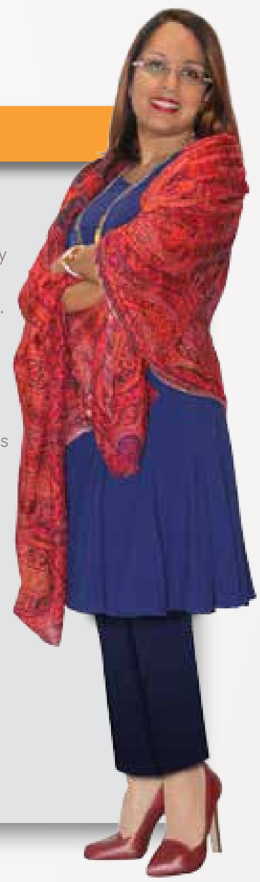
Mr. Husain Lawai is the President & CEO of Summit Bank Limited, and is a seasoned banker with vast experience in the banking and financial services industry. He holds a Masters Degree in Business Administration from Institute of Business Administration, Karachi. Mr. Lawai held the position of President & Chief Executive Officer at Muslim Commercial Bank and holds the distinction of establishing Faysal Islamic Bank, Pakistan Branches; the first Islamic Shariah Compliant Bank (presently known as Faysal Bank Limited). He also served as the General Manager, Emirates NBD Bank for Pakistan and Far East. Currently, Mr. Lawai is the Chairman of Central Depository Company of Pakistan. He is also on the Board of Directors of Wyeth Pakistan Ltd. and GSK Pakistan Ltd.

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 the State Bank of Pakistan and Karachi Garment City. Mr. Mandviwalla is also a member of the Board of Governors of the British Overseas School and Trustee of ICI Pension Fund.

Mr. Shahid Mustafa Qureshi

Mr. Shahid Mustafa Qureshi holds a Masters degree in Law and Public Administration from renowned universities and is an Executive Director and Company Secretary at GSK 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. Fariha Salahuddin

Ms. Fariha Salahuddin has worked in various capacities at ABN AMRO, Unilever and Citibank. She is currently working at GSK, as VP Human Resources 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.

Directors' Profile

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 has worked in the capacity of Director Marketing and Business Development, GSK Pakistan, a position that she has held since 2007. Since April 2013, She holds the position of General Manager for GSK Pharmaceuticals Malaysia and Brunei. 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. 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. (a member firm of the PwC network). Yahya has been associated with GSK Pakistan for over nine 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.

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. 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. This year, he achieved another historical landmark, i.e. Augmentin's 4 billion milestone. 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.

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 39 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 met for the first time in April 2013. The committee is 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 the Shareholders

The Board of Directors of GlaxoSmithKline Pakistan Limited is pleased to present to you the Annual Report along with the Company's audited financial statements for the year ended December 31, 2013.

The 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. This report is to be submitted to the members at the Sixty Seventh Annual General Meeting of the Company to be held on April 28th, 2014.

Operating results

	Rs. in million
Profit for the year before taxation	1,810
Taxation	(748)
Profit after taxation	1,062
Un-appropriated profit brought forward	2,577
Other comprehensive income	(54)
Profit available for appropriation	3,585
Appropriations:	
Final dividend 2012	
Cash	(1,052)
Bonus	(263)
Un-appropriated profit carried forward	2,270

The Board of Directors is pleased to announce a final cash dividend of Rs. 3.5 per share amounting to Rs. 1,013 million and issue of 10 bonus shares for every 100 shares held (10%), subject to the approval of the share holders in the Annual General Meeting to be held on April 28th, 2014.

Despite a tough economic environment your company recorded an increase of 9% over 2012 to post Net sales of Rs. 25.2 billion. Net profitability of the Company was Rs. 1.1 billion which was adversely affected by factors such as escalation in cost of goods sold and foreign exchange losses as explained more fully in the CEO Review on pages 42 to 44.

Holding Company

As at December 31, 2013, S.R. One International B.V., Netherlands held 222,891,465 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 Stock Exchange and Lahore Stock Exchange. The shareholding information as of December 31, 2013 and other related information is set out on pages 43 to 45 of the Financial Report. The Directors, CEO, Company Secretary and CFO, their spouses and minor children did not carry out any trade in the shares of the Company. However, the shareholding of Mr. Rafique Dawood (Non-Executive Director) increased upon transfer of shares of his deceased family member.

Chairman / Chief Executive's review

The Chairman / Chief Executive's review on pages 42 to 44 deals with:

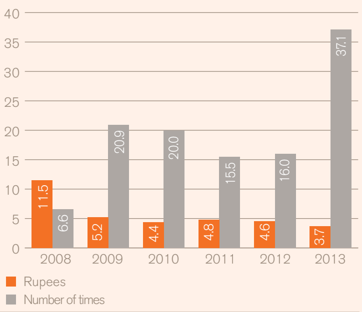
- Economic overview and business performance analysis, latest developments and Company's strategies for achieving its objectives
- Performance review of the Company during the year and significant changes from the previous year along with reasons.
- Effective cash management strategy
- Significant plans and decisions
- Future outlook 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. 3.67 (2012: Rs.4.58).

Earning per Share & Price Earning Ratio



Corporate Social Responsibility (CSR)

GSK is committed to excellence, and aims to conduct business practices aligned with our values. Corporate Social Responsibility is therefore an integral part of how we work as an organization. At GSK, we participate in community support projects at every level, focusing on Health, Education and General Medical Relief. Our employees also participate in a skills-based volunteering initiative that enables them to make a sustainable difference in communities and patients in need.

Directors' Report

Our highlights for 2013 included support of Concerned for Children (CFC), a community driven programme focused on the development and sustainability of providing quality education to under-privileged students living in Mohammadi (Machar) Colony.

GSK further supported programmes that helped people who were still displaced by the floods of 2012; and those communities that were affected by the 2013 earthquake in Baluchistan, by donating essential relief items.

Our participation in various community support initiatives originate from our mission to help make a significant difference in the lives of many, and are mentioned in further detail from page 26 to 29.

Human Resource Development and Succession Planning

GSK holds high pride in its human capital believing it to be the corner stone in the Company's success over the years. We believe in extending our talent pool of young vibrant minds to provide sustainability at all levels for the future.

2013 witnessed greater development opportunities for our people in terms of training as well functional rotations. Whereas, international trainers were brought to the country to train our leaders on critical skills to manage work and people complexities better, at the same time the overall organization started looking into how we can accelerate our delivery and performance. One of the key steps was to focus on providing our employees larger exposure to business with more "gemba" exercises and frequent contact with the customer, ensuring we all remain patient-focused in our day-to-day work.

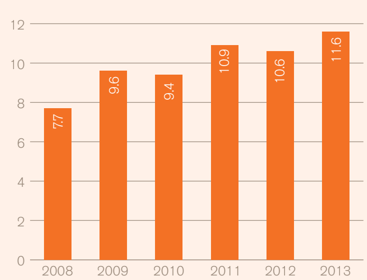
Externally, we created waves with our global reach in acquisition of fresh and experienced talent. While we have put in use excellent Talent Management tools to help differentiate and grow "leaders at all levels", we are also hiring the best and most diverse talent as Future Leaders of GSK.

Environment, Health and Safety (EHS)

GSK Pakistan is committed to provide excellence and sustainability in Environment, Health and Safety (EHS) to ensure that we deliver quality products to our patients on time, without compromising the safety of our employees.

EHS management is given the highest priority in our operations and our organization where we constantly aspire to achieve a Zero Accident, Zero Waste and Zero Regulatory Sanctions environment. This is a vital element in ensuring our production processes run uninterrupted in order to enable our customers to have access to our products whenever they are needed.

Sales per Employee
Number of times



To help achieve this objective, a number of programs have either been launched or are in the pipeline to maintain and further improve EHS performance in all operational areas of GSK Pakistan. These include the Living Safety initiative, Lock-Out-Tag-Out program, Chemical Containment Regime and Stop for Safety program among others. These programs are based on the establishment of strong control measures supported by employees to ensure no one working in our organization gets hurt.

Additionally, regular first aid training programs, emergency response exercises and occupational health awareness initiatives are carried out to help develop employees and enable them to contribute to the establishment of a safety conscious community. This not only develops a safety oriented culture at work but also give employees the opportunity to implement these standards in their personal lives.

Environmental sustainability, which lies at the core of all GSK business operations, also focuses on projects aimed at reducing waste and energy consumption. In 2013 Energy Kaizen events were organised throughout Karachi sites to reduce the utilization of energy and water.

GSK Pakistan takes pride in having set an example where its strategic approach shows how the EHS framework aligns with the Company's vision and business drivers. This helps ensure our processes are robust and sustainable in order to keep serving the needs of our customers.

Business Ethics and Anti-Corruption Measures

The values of Integrity and transparency lie at the heart of what we do at GSK. The Board of Directors of the Company has set down the acceptable business practices and behaviors in a “Code of Conduct/Statement of Ethics and Business Practices” to promote integrity and ethics. The Code has been disseminated for signing by all the 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 10.

Board of Directors’ Meetings and Attendance

The Board of Directors met five (05) times in 2013; each member’s attendance at these meetings is listed below:

Name	Meetings attended
Mr. M. Salman Burney	5
Mr. Husain Lawai	4
Mr. Rafique Dawood	5
Mr. Shahid Mustafa Qureshi	4
Mr. Yahya Zakaria	5
Mr. Mehmood Mandviwalla	4
Mr. Maqbool-ur-Rehman	4
Ms. Erum S. Rahim	1
Ms. Fariha Salahuddin	1
Mr. Shoaib Pasha*	2
Mr. Muzaffar Iqbal*	Nil

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

*The Board would like to record its appreciation and gratitude to Mr. Muzaffar Iqbal and Mr. Shoaib Pasha for serving on the board and for their input and contribution over this period.

During the year, Mr. Maqbool ur Rehman completed the training required under the Directors’ training program as per clause xi of the Code of Corporate Governance 2012 during Quarter 2 of 2013.

Audit Committee

The Audit 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 (refer page 35). 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 corporate accounting and financial reporting process, the effectiveness and adequacy of internal controls, the management of risks and the external and internal audit process. In addition to this, the Internal Audit Function also utilizes the services of independent audit firms to examine company records and operations to ensure fair financial reporting processes, compliance with applicable laws and adherence with internal control systems. The attendance of members in the meetings and the terms of reference of the Committee are provided on pages 35.

Human Resource and Remuneration Committee

A Human Resource & Remuneration Committee was formed in October 2012 to comply with the requirements of Code of Corporate Governance 2012. It comprises of 5 members, the majority of whom are non-executive directors. The committee is involved in making recommendations to the board regarding executives’ remuneration, performance evaluation and succession planning etc. The Committee held its first meeting in April 2013. The terms of reference of the Committee are provided in detail on page 35.

Management Committee

The Management Committee comprises of 08 senior members who meet and discuss significant business plans, issues and progress updates of their respective functions. Significant matters to be put forth in the Board as per the Code of Corporate Governance are also discussed for onward approval.

Risk Management, Governance and Classification

Risk Management and Compliance Board (RMCB) is responsible for identifying, assessing, treating, monitoring and reporting on significant risks associated with the business.

RMCB also ensures that appropriate strategies and policies are in place so that key risks which may threaten the achievement of strategic objectives are identified, recorded and minimized. RMCB held three (03) meetings during the year.

GSK has established an Internal Control Framework to ensure appropriate risk mitigation plans, designated accountability, and mechanisms for upward communication of any significant issues and incidents that arise (e.g., a compliance failure). The Risk Management group, in conjunction with Corporate Ethics & Compliance uses its system of controls to protect the Company's assets, safeguard shareholder investment and ensure compliance with applicable legal requirements.

In this respect the RMCB has formed a structure whereby designated Risk Owners are accountable for identifying and treating significant risks, while the Compliance Officer facilitates in instilling a risk-based approach in establishing internal control systems within GSK, so that risk management becomes an integral part of decision making and is embedded in normal business operations.

Risks can be largely classified as follows:

Strategic Risks – are those which pose a significant threat to meeting the business objectives and are outside of entity's control. The major strategic risk being faced by the Company remains the overly restrictive and irrational price regime and the absence of an across the board price increase allowed by the Government. Your Company is countering this risk through various cost rationalization measures and optimum product sales mix however, there is a pressing need for a justified price increase.

Operational Risks – are those which hinder the entity from running its operations smoothly. Our main operational risks are the supply irregularities due to poor security environment of the country or otherwise, foreign currency devaluation / inflation and employee fraud and turnover. These are being managed through product rationing, coordination between commercial and manufacturing teams, matching our foreign currency receipts against payments to minimize exposure to the maximum extent possible, adequate segregation of duties, job rotations and employee empowerment.

Commercial Risks – are those which stem from the commercial nature of the industry and direct a threat to the profitability of the entity. In GSK's case, the main threat stems from the acceleration of low cost generics to the market competition which is being countered through capacity enhancement / plant up-gradation, R&D and to provide affordable healthcare solutions and maintain the Company's market share.

Financial Risks – are those that may cause financial loss to the entity are described in more detail in note 38 of the financial statements.

The above risks are categorized using the following grid:

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

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, 2014, at a mutually agreed fee.

Subsequent Events

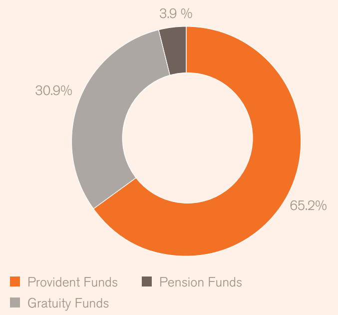
No material changes or commitments affecting the financial position of the Company have occurred between the end of the financial year of the Company and the date of this report.

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, 2013 (audit in progress) was as follows:

	2013 Rs. In millions
Provident fund	2,257
Gratuity fund	1,071
Pension fund	134

Value of Investment



Contribution to National Exchequer and Economy

Your Company made a total contribution of Rs. 3,227 million to the National Exchequer by way of custom duties, income tax, sales tax and employees' tax during the year 2013.

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, except for changes as explained in note 3 of the 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 last six years is set out on pages 46 to 51.

By order of the Board

M. Salman Burney
Chairman / Chief Executive

Yahya Zakaria
Director

Karachi
February 07, 2014

Chairman/Chief Executive Review

I am pleased to present the Annual report of your Company for the financial year ended December 31, 2013.

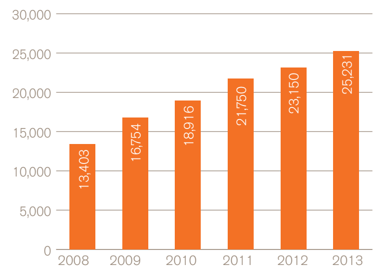
Overview of Economy & Business

The economic environment in Pakistan remained challenging for our business during 2013 due to an adverse security situation, particularly in Karachi and continued currency devaluation which had an inflationary impact on our costs. The industry has suffered from an irrational pricing policy freeze over the last decade, forcing it to internalize negative cost pressures without an offsetting price adjustment whilst all other parts of the health sector have been allowed to operate under a market mechanism. Faced with this difficult situation, having to balance the requirement of providing affordable quality medicines to the public and at the same time sustain itself commercially, your company has been striving hard over the years to drive performance through consistent focus on diversification, growth simplification, of our operating model and the elimination of internal inefficiencies.

Over the years industry representatives have held intensive and detailed deliberations and discussions with the Ministry of Health and more recently with the Federal Drug Regulatory Authority (DRA) on this issue and the business sustainability challenges it poses. After considerable consideration at various fora, the last quarter of the year finally saw a notification by the DRA, allowing a 15% price increase on those drugs which had not seen any price increase over 11 years since 2001. At the same time, prices of products for many ailments were also restrained at the same levels. However, subsequently the notification of this modest increase was withdrawn by the Government raising serious concerns within the industry on the governments' policy rationale & framework. This action has in fact been challenged by local Industry Association and the government remains restrained at present from the cancellation of the notified increase. As the matter is subjudice in court, it is not appropriate to comment further other than to reiterate the need for a balanced approach which ensures the availability of affordable medicines to the country in the interests of all stakeholders.

Despite many challenges, our efforts towards delivery of business results remain constant. The year 2013 also witnessed the achievement of some significant milestones as sales of your company recorded 9% growth, and surpassed the Rs. 25 billion mark and the Company maintained its position as the leading pharmaceutical Company in Pakistan in terms of value, prescription and volume share. Further, out of the top 20 leading products in the Pakistan pharmaceutical industry, 6 are manufactured and sold by your company, which is a singular achievement.

Net Sales
Rupees in million



Business Review

The Net sales of the Company were recorded at Rs. 25.2 billion with a growth of 9% during 2013. Underlying growth in the Pharma segment was at 9.4%, after adjusting for the impact of the divestment of the Animal Health business, product shortages, due to manufacturing and regulatory bottlenecks, and supply constraints in imported products. Various Oncology, Respiratory, Anesthetics, Anti-Virals, Anti-Diarrhoeals and Cough & Cold products recorded double digit growth during the year.

The Consumer Health Care segment continued to perform very well with strong growth of 38%, achieving overall sales of Rs. 3.7 billion for the year. Panadol, Sensodyne and Horlicks were the main contributors to this growth, reflecting our focus and

investment on these key segments and brands. The Sensodyne & Horlicks ranges saw new line introductions and launches during the year which should deliver good results in the future.

Export sales were recorded at Rs. 924 million in 2013 reflecting a growth of 15% over the previous year and our expansion and penetration in the regional export markets continued in line with business objectives.

Due to the issues relating to the lack of a price adjustment, gross margins eroded to 24.7% (2012: 26.1%) reflecting the impact of significant increases in raw and packing material prices, higher utilities, fuel and energy cost and the continuous weakening of the Pakistan Rupee against major currencies. These unfavorable pressures on the cost of goods and could not be offset despite efforts at improving the product mix and initiatives aimed at minimizing supply chain and working capital costs.

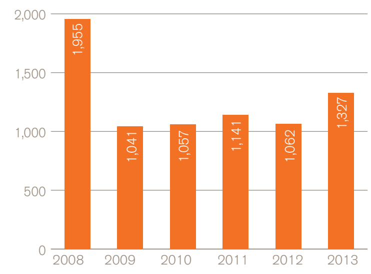
Selling, marketing and distribution expenses at Rs. 3.6 billion increased by Rs. 608 million during the current year. This increase was mainly on account of significant marketing investment in the Oral and Nutritional categories of the Consumer Healthcare segment in support of new line introductions for Sensodyne and Horlicks as evident through the sales growth of the segment; coupled with increased freight costs due to escalating fuel prices and rising sales volume. Administrative expenses for the year amounted to Rs. 920 million increasing by Rs. 136 million over the preceding year reflecting inflationary pressures and rising fuel and utility costs.

Other operating income increased by Rs. 125 million over last year to Rs. 455 million in 2013. This was primarily the result of the divestment of the Company's Animal Healthcare business as part of our global strategy to focus on core business areas.

Financial charges during 2013 in comparison to 2012 were significantly higher due to the volatility and decline in the Rupees' exchange rate seen in the second half of the year. This resulted in exchange losses, which increased by Rs. 112 million over 2012.

Overall, your Company posted a Net profit after tax of Rs. 1.1 billion for the year showing a decrease of Rs. 264 million (20%) over the corresponding last year, due to the reasons elucidated in the preceding paragraphs.

Profit after tax
Rupees in million



Cash Flows & Capital Expenditure

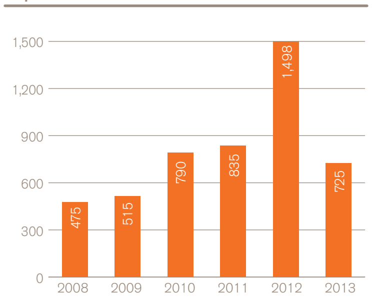
The Company's cash requirements are largely met through internal cash generation without reliance on short term borrowings. A Liquidity management system is in place that is actively involved in assessing and planning the Company's cash flow requirements to ensure adequate availability of funds as required by the business. Surplus funds are utilized to avail optimum return by investment in government securities and deposits with high credit-rated banks within a well diversified and secure portfolio.

Cash flows from operations decreased during the year primarily due to stock build up required to support manufacturing capacity enhancements and upgradation and maintenance activities at our local manufacturing sites, as well

Chairman/Chief Executive Review

as product transfers between sites. Overall Cash and Cash equivalents decreased by Rs. 218 million to Rs. 2.1 billion at the end of the year.

Capital Expenditure
Rupees in million



Dividends

Maintaining a history of good returns and payouts, the Board of Directors of the Company, in its meeting held on February 07, 2014, have proposed a cash dividend of Rs. 3.5 (2012: Rs. 4.0) per share and also an issue of 10 bonus shares for every 100 shares held (2012: 10 bonus shares for every 100 shares held).

Future outlook and Challenges

Our commitment to meet the challenge of supplying affordable healthcare solutions to our wide consumer base in the country remains constant, notwithstanding the many difficulties posed by the regulatory and economic environment. Your company has in recent years undertaken various measures to build geographic diversity, simplified and focused processes in core business areas and sought new avenues for profitable business growth. We are also actively investing in scientific engagement initiatives involving new and innovative research based pharmaceutical products that are already in line for regulatory approval or launch to provide innovative healthcare solution to patient's needs in the future. Also in line with our growth and diversification strategy the Consumer Health Care segment continues to make its mark by expanding on the market presence, which will further strengthen and diversify.

The pharmaceutical industry has great potential for generating economic value to the country in terms of domestic value add and growth and exports, as well as generating revenue for the exchequer. The industry has however, as detailed earlier, for the past decade suffered from an archaic pricing policy, which has posed an increasing challenge on the ability of companies to ensure continued supply of essential medicines of quality.

It is hoped that the Government will take necessary steps to approve a pricing policy that safeguards the interest of the industry, supports the continuity of supplies of affordable and quality medicines and ensure the ongoing availability of numerous research based drugs which are now at risk.

Intellectual property

The use of scientific research and knowledge and creation of new innovative healthcare solutions remains central to our values, however, the effective legal protection of our intellectual property in future of such new research based therapies is equally important for ensuring a reasonable return on the heavy investment required for the research and introduction of new groundbreaking treatments.
The IPR laws in Pakistan have improved over the years in the wake of increasing awareness and about global conventions and the concern of international companies in the market, however, it is far from the levels required to discourage and check both piracy and counterfeiting. The effective implementation of IPR laws is required to 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 owed to talented employees, whose passionate & unwavering commitment and efforts to excel in what we do have helped sustain companies' operations in these challenging times.

On behalf of the Board, I would take the opportunity to thank all team members, our valued customers and suppliers and our shareholders for their consistent support and look forward to delivering results for all our stakeholders in the coming years.

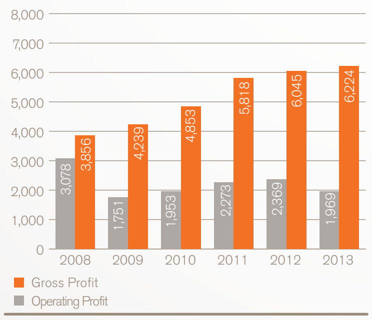
M. Salman Burney
Chairman / Chief Executive
Karachi
February 07, 2014

Financial Performance at a Glance

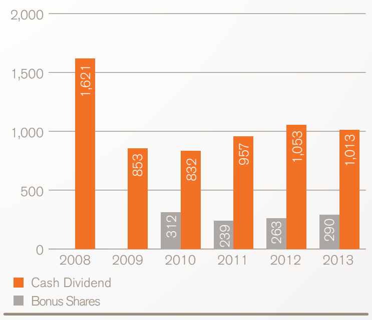
Rupees in million	2013	(Re-stated) 2012
Net sales	25,231	23,150
Gross profit	6,224	6,045
Operating profit	1,969	2,369
Profit before taxation	1,810	2,322
Taxation	748	995
Profit after taxation	1,062	1,327
Dividend - cash*	1,013.3	1,052.8
- per share - Rs.	3.5	4.0
- Issue of bonus shares	289.5	263.2
Paid-up Capital	2,895.2	2,632.0

* Represents final cash dividend @ Rs. 3.5 per share (2012: Rs. 4.0) and also issue of bonus shares @ 10% (2012: 10%) proposed by the Board of Directors subsequent to the year end.

Gross and Operating Profit
Rupees in million



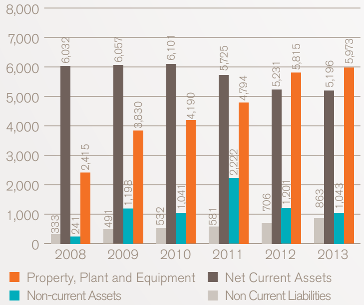
Payout to Shareholders
Rupees in million



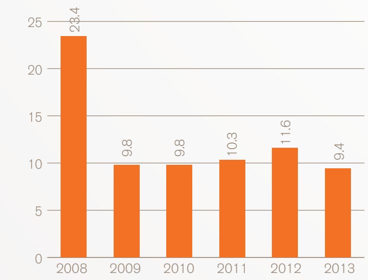
Key Operating and Financial Data

Rupees '000	2013	Re-stated 2012	Re-stated 2011	2010	2009	2008
Balance Sheet						
Assets employed						
Fixed Assets - tangible						
- property, plant and equipment	5,973	5,815	4,794	4,190	3,830	2,415
Assets - intangible						
- Goodwill	956	956	956	956	956	-
Investments	-	-	-	-	169	172
Long-term loans and deposits	87	99	94	85	73	69
Net current assets	5,196	5,231	5,725	6,101	6,057	6,032
	12,212	12,101	11,569	11,332	11,085	8,688
Less: Non-Current Liabilities						
Staff retirement benefits - Staff gratuity	251	175	214	115	73	21
Deferred taxation	612	531	367	417	418	312
	863	706	581	532	491	333
Net assets employed	11,349	11,395	10,988	10,800	10,594	8,355
Financed by						
Issued, subscribed and paid-up capital	2,895	2,632	2,393	1,964	1,707	1,707
Reserves	8,454	8,763	8,595	8,836	8,887	6,648
Shareholders' Equity	11,349	11,395	10,988	10,800	10,594	8,355
Turnover and profit						
Net sales	25,231	23,150	21,750	18,916	16,754	13,403
Gross profit	6,224	6,045	5,818	4,853	4,239	3,856
Operating profit	1,969	2,369	2,273	1,952	1,751	3,078
Profit before taxation	1,810	2,322	2,237	1,932	1,706	3,001
Taxation	748	995	1,096	874	665	1,046
Profit after taxation	1,062	1,327	1,141	1,058	1,041	1,955
EBTIDA	2,323	2,716	2,599	2,324	2,061	3,309
Cash Dividend including bonus shares	1,303	1,316	1,196	1,144	853	1,621
Sales per employee	11,643	10,624	10,853	9,388	9,585	7,659

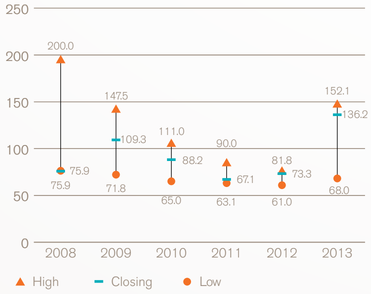
Assets & Liabilities
Rupees in million



Return on Equity
Percentage



Share Price Sensitivity
Rupees

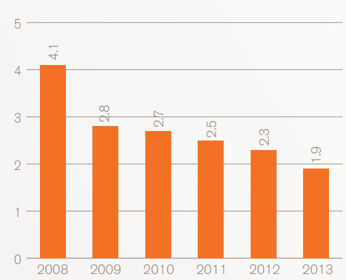


		2013	2012	2011	2010	2009	2008
Cashflows							
Operating Activities	Rs. in million	1,057	2,057	127	2,433	1,348	(402)
Investing Activities	Rs. in million	(285)	(1,167)	(558)	(739)	(262)	572
Financing Activities	Rs. in million	(990)	(900)	(782)	(849)	(1,189)	(1,698)
Changes in Cash equivalents	Rs. in million	(218)	(10)	(1,213)	845	(103)	(1,528)
Cash & equivalents - Year end	Rs. in million	2,097	2,316	2,326	3,538	2,693	2,725
Financial Highlights							
Cash dividend per share	Rupees	3.5	4.0	4.0	4.0	5.0	9.5
Bonus shares	%	10.0	10.0	10.0	15.0	-	-
Market value per share - year end	Rupees	136.2	73.3	67.1	88.2	109.3	75.9
Market value per share - high	Rupees	152.1	81.8	90.0	111.0	147.5	200.0
Market value per share - low	Rupees	68.0	61.0	63.1	65.0	71.8	75.9
Market price to Book value with surplus	Times	3.5	1.7	1.4	1.7	2.1	1.6
Market capitalization	Rs. in million	39,435	19,300	16,050	17,321	18,649	12,961
Profitability Ratios							
Profit before tax ratio	%	7.2	10.0	10.3	10.2	10.2	22.4
Gross Yield on Earning Assets	%	7.6	6.9	14.8	8.7	12.8	12.8
Gross Spread ratio	Times	0.2	0.2	0.2	0.2	0.2	0.5
Cost / Income ratio	Times	0.7	0.6	0.6	0.6	0.6	0.4
Return on Equity	%	9.4	11.6	10.3	9.8	9.8	23.4
Return on Capital employed	%	6.2	8.4	7.5	7.2	8.3	18.8
Gross Profit ratio	%	24.7	26.1	26.8	25.7	25.3	28.8
Net Profit to Sales	%	4.2	5.7	5.2	5.6	6.2	14.6
EBITDA Margin to Sales	%	9.2	11.7	11.9	12.2	12.0	24.1
Operating leverage ratio	Times	(1.9)	0.7	1.1	0.9	(1.7)	0.6
Investment/Market Ratios							
Earnings per share (EPS)	Rupees	3.7	4.6	4.3	4.4	5.2	11.5
Price Earnings ratio	Times	37.1	16.0	15.5	20.0	20.9	6.6
Price to Book ratio	Times	0.0	0.0	0.0	0.0	0.0	0.0
Dividend Yield ratio	%	2.6	5.5	6.0	4.5	4.6	12.5
Dividend Payout ratio	Times	1.0	0.9	0.9	0.9	1.0	0.8
Dividend Cover ratio	Times	1.1	1.2	1.1	1.1	1.0	1.2
Break-up Value per share without Surplus on Revaluation of Fixed Assets	Rupees	39.2	43.3	45.9	51.9	50.9	49.0
Break-up Value per share including the effect of Surplus on Revaluation of Fixed Assets	Rupees	39.2	43.3	45.9	51.9	50.9	49.0

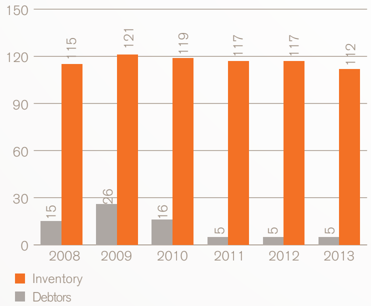
Key Operating and Financial Data

		2013	2012	2011	2010	2009	2008
Capital Structure Ratios							
Earning assets to total assets ratio	%	11.7	14.3	15.1	24.9	19.9	28.7
Net assets per share	Times	39.2	43.3	45.9	51.9	62.1	49.0
Debt to Equity ratio	Times	0.1	0.1	0.0	0.0	0.0	0.0
Financial leverage ratio	Times	0.6	0.4	0.4	0.4	0.0	0.3
Interest Cover ratio	Times	12.4	49.9	62.2	97.5	39.2	40.0
Liquidity Ratios							
Advances to Deposits ratio	Times	2.1	2.6	3.0	1.5	0.9	1.3
Current ratio	Times	1.9	2.3	2.5	2.7	2.8	4.1
Quick / Acid test ratio	Times	0.8	1.0	1.0	1.5	1.4	2.3
Cash to Current Liabilities	Times	0.3	0.5	0.5	0.8	0.6	1.4
Cash flow from Operations to Sales	%	4.2	8.9	0.6	12.9	8.0	(3.0)
Activity / Turnover Ratios							
Inventory turnover ratio	Times	3.3	3.1	3.1	3.1	3.0	3.2
No. of Days in Inventory	Days	112	117	117	119	121	115
Debtor turnover ratio	Times	72.1	66.7	68.1	23.3	14.3	23.6
No. of Days in Receivables	Days	5	5	5	16	26	15
Creditor turnover ratio	Times	10.5	12.8	12.3	10.8	13.5	21.0
No. of Days in Creditors	Days	35	28	30	34	27	17
Total Assets turnover ratio	Times	1.4	1.4	1.4	1.3	1.2	1.3
Fixed Assets turnover ratio	Times	4.2	4.0	4.5	4.5	4.4	5.5
Operating Cycle	Days	82	94	93	100	119	113

Current Ratio
Number of Times



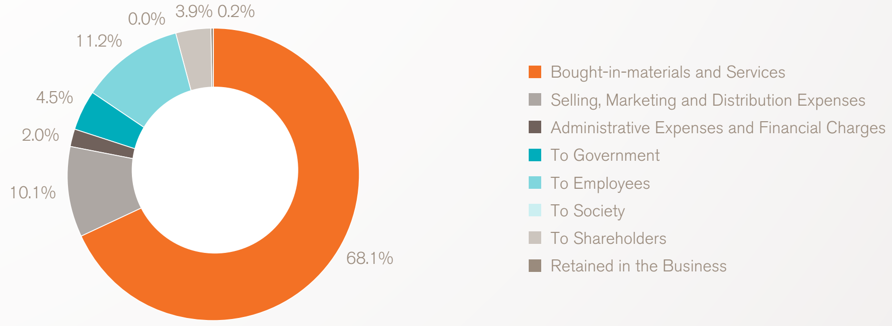
Debtors Turnover & Inventory Turnover
Number of Days



Statement of Value Added

	2013 Rs. 000	%	Re-stated 2012 Rs. 000	%
Revenue Generated				
Total revenue	25,946,631	100.0	23,652,934	100.0
Revenue distributed				
Bought-in -materials and Services	17,679,113	68.1	15,910,501	67.3
Selling, Marketing and Distribution Expenses	2,617,175	10.1	2,160,108	9.1
Administrative Expenses and Financial Charges	519,532	2.0	362,609	1.5
Income tax	747,609	2.9	995,243	4.2
Worker's funds and Central research fund	153,230	0.6	192,617	0.8
Sales tax	260,837	1.0	172,845	0.7
To Government	1,161,676	4.5	1,360,705	5.7
Salaries,Wages and other benefits	2,902,188	11.2	2,509,496	10.6
To Employees	2,902,188	11.2	2,509,496	10.6
Donations	4,684	0.0	23,011	0.1
To Society	4,684	0.0	23,011	0.1
Cash dividend*	1,013,305	3.9	1,052,784	4.5
To Shareholders	1,013,305	3.9	1,052,784	4.5
Retained in the Business	48,958	0.2	273,720	1.2
	25,946,631	100.0	23,652,934	100.0

* Represents final cash dividend @ Rs. 3.5 per share proposed by the Board of Directors subsequent to the year end.



Horizontal Analysis

	2013	2012	2011	2010	2009	2008
Balance Sheet Analysis (%)						
		Change from preceding year				
Share Capital and Reserves	(0.4)	3.7	1.7	1.9	26.8	2.9
Non Current Liabilities	22.2	21.5	9.3	8.4	47.4	16.8
Current Liabilities	38.0	7.0	9.0	6.4	72.7	10.0
Total Equity and Liabilities	**10.4**	**5.2**	**3.7**	**3.2**	**35.8**	**4.5**
Non Current Assets	2.1	17.6	11.7	4.0	89.3	0.4
Current Assets	16.4	(2.3)	(0.6)	2.7	18.0	6.0
Total Assets	**10.4**	**5.2**	**3.7**	**3.2**	**35.8**	**4.5**
Profit and Loss Account Analysis (%)						
		Change from preceding year				
Net sales	9.0	6.4	15.0	12.9	25.0	26.3
Cost of sales	11.1	7.4	13.3	12.4	31.1	43.4
Gross profit	3.0	3.9	19.9	14.5	10.0	(2.4)
Selling, marketing and distribution expenses	20.1	8.5	21.8	18.1	46.7	9.7
Administrative expenses	17.3	(23.2)	22.8	(2.9)	63.7	6.8
Other operating expenses	(20.4)	(0.7)	13.4	12.5	(26.9)	(7.1)
Other operating income	37.8	(28.5)	16.2	(14.2)	(63.8)	100.0
Operating profit	(16.9)	4.2	16.5	11.5	(43.1)	15.3
Financial charges	235.1	30.1	82.4	(55.6)	(41.6)	541.7
Profit before taxation	(22.0)	3.8	15.8	13.2	(43.2)	12.9
Taxation	(24.9)	(9.2)	25.3	31.4	(36.4)	5.9
Profit after taxation	(19.9)	16.3	7.9	1.6	(46.8)	17.0

Vertical Analysis

	2013	2012	2011	2010	2009	2008
Balance Sheet Analysis (%)						
Share Capital and Reserves	63.3	70.1	71.1	72.5	73.4	78.6
Non Current Liabilities	4.8	4.3	3.8	3.6	3.4	3.1
Current Liabilities	31.9	25.6	25.1	23.9	23.2	18.3
Total Equity and Liabilities	100.0	100.0	100.0	100.0	100.0	100.0
Non Current Assets	39.1	42.3	37.8	35.1	34.8	25.0
Current Assets	60.9	57.7	62.2	64.9	65.2	75.0
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	75.3	73.9	73.2	74.3	74.7	71.2
Gross profit	24.7	26.1	26.8	25.7	25.3	28.8
Selling, marketing and distribution expenses	14.4	13.1	12.8	12.2	11.6	9.9
Administrative expenses	3.6	3.4	4.7	4.4	5.1	3.9
Other operating expenses	0.6	0.8	0.9	0.9	0.9	1.6
Other operating income	1.8	1.4	2.1	2.1	2.8	9.6
Operating profit	7.8	10.2	10.5	10.3	10.5	23.0
Financial charges	0.6	0.2	0.2	0.1	0.3	0.6
Profit before taxation	7.2	10.0	10.3	10.2	10.2	22.4
Taxation	3.0	4.3	5.0	4.6	4.0	7.8
Profit after taxation	4.2	5.7	5.3	5.6	6.2	14.6

Direct Cash Flow Statement
for the year ended 31 December 2013

Rupees in '000	2013	2012
Cash Flows From Operating Activities		
Cash receipts from customers	25,296,211	23,109,940
Cash paid to suppliers / service providers	(19,893,193)	(17,342,267)
Cash paid to employees	(2,711,605)	(2,353,555)
Payment of indirect taxes and other statutory duties	(206,333)	(227,960)
Payment of royalty and technical services fee	(20,241)	(58,347)
Payment to Retirement Funds	(181,702)	(140,308)
Financial charges paid	(16,147)	(16,316)
Income tax paid	(1,210,352)	(909,348)
Long term deposits	(104)	(4,981)
Net cash from operating activities	1,056,534	2,056,858
Cash Flows From Investing Activities		
Fixed Capital Expenditure	(725,019)	(1,497,581)
Proceeds from sale of operating assets	91,982	152,891
Investments encashed	186,500	-
Return on investments	161,339	177,952
Net cash used in investing activities	(285,198)	(1,166,738)
Cash Flows From Financing Activities		
Dividends paid	(989,812)	(900,008)
Net cash used in financing activities	(989,812)	(900,008)
	(218,476)	(9,888)
Cash and cash equivalents at beginning of the year	2,315,744	2,325,632
Cash and cash equivalents at end of the year	2,097,268	2,315,744

gsk
do more
feel better
live longer

GlaxoSmithKline Pakistan Limited
Financial Report 2013

Delivering sustainable profitable growth

Financial Highlights

Sales Revenue
25,231 M (2013) | **23,150 M** (2012)
9%+

2.0+ times
Market Capitalization
39,435 M (2013) | **19,300 M** (2012)

Dividend Payout
95.4% (2013) | **87.3%** (2012)
9.3%+

12- days
Operating Cycle
82 days (2013) | **94 days** (2012)

Price Earnings Ratio
37.1 Times (2013) | **16.0 Times** (2012)
2.3+ times

Contents

Statement of Compliance with the Code of Corporate Governance
year ended 31 December 2013

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
   Mr. Dave Cooper***
   Ms. Fariha Salahuddin
   Ms. Erum Shakir**

   Executive Directors

   Mr. M. Salman Burney
   Mr. Shahid Mustafa Qureshi
   Mr. Maqbool ur Rehman
   Mr. Yahya Zakaria

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

   ** Executive director till May 2013.

   *** w.e.f. February 7, 2014.

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. A casual vacancy occurring on the board during the year on April 18, 2013 was filled up by the directors within ninety days.

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.

9. During the year one director obtained certification under the directors' training program.

10. No new appointment of the Chief Financial Officer, Company Secretary or Chief Internal Auditor was made during the year. The remuneration of Chief Financial Officer, Company Secretary and Chief Internal Auditor was approved by the board.

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

12. The financial statements of the company were duly endorsed by 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 and the chairman of the committee is an independent director.

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. We confirm that all other material principles enshrined in the Code have been complied with.

On behalf of the Board

Karachi
February 07, 2014

M. Salman Burney
Chairman / Chief Executive

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's 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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

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 2013.

A.F. Ferguson & Co.
Chartered Accountants
Karachi

Dated: 20 February 2014

Auditors' Report to the Members

We have audited the annexed balance sheet of GlaxoSmithKline Pakistan Limited as at 31 December 2013 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 accounts 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 except for the changes as stated in note 3 to the financial statements with which we concur;

  (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 2013 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 that Ordinance.

A.F. Ferguson & Co.
Chartered Accountants
Karachi

Dated: 20 February 2014

Name of Engagement Partner: Mohammad Zulfikar Akhtar

Balance Sheet
as at December 31, 2013

Rupees '000	Note	2013	(Re-stated) 2012	(Re-stated) January 1, 2012
NON-CURRENT ASSETS				
Fixed assets	4	5,973,404	5,814,504	4,793,793
Intangible - goodwill	5	955,742	955,742	955,742
Long-term loans to employees	6	70,079	81,959	82,005
Long-term deposits		16,865	16,761	11,780
		7,016,090	6,868,966	5,843,320
CURRENT ASSETS				
Stores and spares	7	156,548	140,691	136,650
Stock-in-trade	8	6,271,405	5,080,220	5,602,526
Trade debts	9	349,950	350,362	343,404
Loans and advances	10	248,463	243,070	163,378
Trade deposits and prepayments	11	118,592	92,542	54,657
Interest accrued		9,753	12,205	30,372
Refunds due from government	12	46,951	40,759	17,104
Other receivables	13	392,202	445,872	331,498
Taxation - payments less provision		1,231,588	660,092	600,742
Investments	14	224,269	198,118	196,706
Cash and bank balances	15	1,872,999	2,117,626	2,128,926
		10,922,720	9,381,557	9,605,963
		17,938,810	16,250,523	15,449,283
SHARE CAPITAL AND RESERVES				
Share capital	16	2,895,156	2,631,960	2,392,691
Reserves	17	8,454,157	8,761,478	8,594,700
		11,349,313	11,393,438	10,987,391
NON-CURRENT LIABILITIES				
Staff retirement benefits	18	250,977	175,280	213,906
Deferred taxation	19	612,012	530,750	366,975
		862,989	706,030	580,881
CURRENT LIABILITIES				
Trade and other payables	20	5,561,429	3,950,339	3,663,772
Provisions	21	165,079	200,716	217,239
		5,726,508	4,151,055	3,881,011
		6,589,497	4,857,085	4,461,892
CONTINGENCIES AND COMMITMENTS	22			
		17,938,810	16,250,523	15,449,283

The annexed notes 1 to 45 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 December 31, 2013

Rupees '000	Note	2013	(Re-stated) 2012
Net sales	23	25,230,878	23,149,964
Cost of sales	24	(19,007,165)	(17,104,983)
Gross profit		6,223,713	6,044,981
Selling, marketing and distribution expenses	25	(3,635,914)	(3,028,364)
Administrative expenses	26	(920,396)	(784,866)
Other operating expenses	27	(153,230)	(192,617)
Other income	28	454,916	330,125
Operating profit		1,969,089	2,369,259
Financial charges	29	(159,217)	(47,512)
Profit before taxation		1,809,872	2,321,747
Taxation	30	(747,609)	(995,243)
Profit after taxation		1,062,263	1,326,504
Other comprehensive income			
Items that will not be reclassified to Profit and loss			
Remeasurements of staff retirement benefits		(81,095)	55,149
Impact on taxation		27,491	(18,529)
		(53,604)	36,620
Total comprehensive income		1,008,659	1,363,124
Earnings per share	31	Rs. 3.67	Rs. 4.58

The annexed notes 1 to 45 form an integral part of these financial statements.

M. Salman Burney
Chairman / Chief Executive

Yahya Zakaria
Chief Financial Officer

Cash Flow Statement

for the year ended December 31, 2013

Rupees '000	Note	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	32	2,355,352	3,035,934
Staff retirement benefits paid		(100,242)	(64,793)
Income taxes paid		(1,210,352)	(909,348)
Decrease / (increase) in long-term loans to employees and deposits		11,776	(4,935)
Net cash generated from operating activities		1,056,534	2,056,858
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(725,019)	(1,497,581)
Proceeds from sale of operating assets		91,982	152,891
Proceeds from transfer of marketing authorisation rights and related trademarks of certain products		186,500	-
Interest received		161,339	177,952
Net cash used in investing activities		(285,198)	(1,166,738)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(989,812)	(900,008)
Net decrease in cash and cash equivalents		(218,476)	(9,888)
Cash and cash equivalents at beginning of the year		2,315,744	2,325,632
Cash and cash equivalents at end of the year	33	2,097,268	2,315,744

The annexed notes 1 to 45 form an integral part of these financial statements.

M. Salman Burney
Chairman / Chief Executive

Yahya Zakaria
Chief Financial Officer

Statement of Changes in Equity
for the year ended December 31, 2013

Rupees '000	Share capital	Capital reserves: Reserve arising on amalgamation	Capital reserves: Issue of bonus shares	General reserve	Unappropriated profit	Total
Balance as at January 1, 2012 - as previously reported	2,392,691	2,184,238	-	3,999,970	2,531,673	11,108,572
Effect of re-statement as referred in note - 3.1	-	-	-	-	(121,181)	(121,181)
Balance as at January 1, 2012 - as restated	2,392,691	2,184,238	-	3,999,970	2,410,492	10,987,391
Final dividend for the year ended December 31, 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)	-	-	-
Profit after taxation for the year ended December 31, 2012	-	-	-	-	1,326,504	1,326,504
Remeasurements of staff retirement benefits - net of tax	-	-	-	-	36,620	36,620
Total comprehensive income for the year ended December 31, 2012	-	-	-	-	1,363,124	1,363,124
Balance as at December 31, 2012	2,631,960	2,184,238	-	3,999,970	2,577,270	11,393,438
Final dividend for the year ended December 31, 2012 @ Rs. 4 per share	-	-	-	-	(1,052,784)	(1,052,784)
Transferred to reserve for issue of bonus shares	-	-	263,196	-	(263,196)	-
Bonus shares issued during the period in the ratio of 10 shares for every 100 shares held	263,196	-	(263,196)	-	-	-
Profit after taxation for the year ended December 31, 2013	-	-	-	-	1,062,263	1,062,263
Remeasurements of staff retirement benefits - net of tax	-	-	-	-	(53,604)	(53,604)
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	1,008,659	1,008,659
Balance as at December 31, 2013	2,895,156	2,184,238	-	3,999,970	2,269,949	11,349,313

The annexed notes 1 to 45 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 Statement
for the year ended December 31, 2013

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 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 standards, interpretations and pronouncements

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

The amendments to following standards have been adopted by the Company for the first time for the financial year beginning on January 1, 2013:

Amendment to IAS 1 - 'Presentation of Financial Statements'. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). There is no effect on the amounts recognised in these financial statements other than such classification that has been disclosed in the other comprehensive income.

Amendment to IAS 19 - 'Employee benefits'. The changes on the Company's accounting policies has been as follows: to immediately recognise all past service costs; and to replace 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). Impacts on the financial statements due to these changes have been disclosed in note 3 of these financial statements.

(b) Standards, interpretations and amendments to published approved accounting standards that are effective in the current year and are not relevant

Other new standards, amendments and interpretations that are mandatory for accounting periods beginning on January 1, 2013 are considered not to be relevant for the Company's financial statements and hence have not been detailed in these financial statements.

(c) Standards, interpretations and amendments to published approved accounting standards that are not yet effective

There are amendments to existing approved accounting standards and new interpretations that are not yet effective and are considered not to be relevant for the Company's financial statements and hence have not been detailed in these financial statements.

2.3 Overall valuation policy

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

2.4 Staff retirement benefits

2.4.1 The Company operates following defined benefit plans:

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

Contributions to the gratuity and pension schemes are based on actuarial recommendations. The latest actuarial valuations of the schemes were carried out as at December 31, 2013 using the Projected Unit Credit Method.

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.

Notes to and forming part of the Financial Statement
for the year ended December 31, 2013

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 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 and remeasurements of retirement benefits obligations which are 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.

Major spare parts and stand-by equipment qualify for recognition as property, plant and equipment when the entity expects to use these for more than one year. Transfers are made to relevant operating assets category as and when such items are available for use.

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 carrying value does not exceed the carrying value that would have existed, had no impairment 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. 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.

Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred to make the sale.

2.13 Trade debts

Trade debts are initially valued at the invoice value and then carried at amortised cost. 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 / amortised 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.

Notes to and forming part of the Financial Statement
for the year ended December 31, 2013

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, and is recognised on the following basis:

- Sales of goods are recorded when the risks and rewards of the goods are transferred to the customers.
- Returns on deposits, investments, scrap sales and insurance commission 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 over the period the services are received.

2.21 Segment reporting

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

3.1 IAS 19 (revised) - 'Employee Benefits' effective for annual periods beginning on or after January 1, 2013 amends the accounting for employee benefits. The standard requires immediate recognition of past service cost and also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost / (income) based on the net defined benefit liability / (asset) at the discount rate measured at the beginning of the year.

Further, a new term "remeasurements" has been introduced. This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost / (income). The standard requires "remeasurements" to be recognised in the Balance Sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur, which are not later reclassified to profit and loss account.

Following the application of IAS 19 (revised), the Company's policy for Staff Retirement Benefits - Defined Benefit Plans stands amended as follows:

- The amount arising as a result of remeasurements are recognised in the Balance Sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur, which are not later reclassified to profit and loss account.

- The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

The Company's financial statements are affected by the 'remeasurements' relating to prior years. The effects have been summarised below:

Rupees '000	December 31, 2012	January 1, 2012
Impact on Balance Sheet		
Increase in deferred liability	124,899	194,200
Increase in other receivables	7,197	11,698
Decrease in deferred tax liabilities	39,548	61,321
Decrease in unappropriated profit	78,153	121,181
Impact on Statement of Changes in Equity		
Decrease in unappropriated profit cumulative effect from prior years	121,181	-
Impact on total comprehensive income for the year ended	43,028	-
Impact on Profit and Loss		
Decrease in cost of sales	4,884	-
Decrease in selling, marketing and distribution expenses	3,564	-
Decrease in administrative expenses	1,203	-
Increase in taxation expense	3,243	-
Impact on Other Comprehensive Income		
Items that will not be reclassified to profit and loss account - net of tax	36,620	-

The effect of change in accounting policy, due to adoption of IAS 19 (Revised), on 'earnings per share' for the year ended December 31, 2012 is Re. 0.02. There is no cash flow impact as a result of the retrospective application of change in accounting policy.

3.2 During the year the Securities and Exchange Commission of Pakistan has notified certain amendments in the Fourth Schedule to the Companies Ordinance, 1984, which specifically classifies major spare parts and stand-by equipment into property, plant and equipment.

Rupees '000		December 31, 2012	January 1, 2012
Reclassification from	**Reclassification to**		
Stores and spares	Fixed assets - property, plant and equipment	29,810	22,618

The change in the requirement is considered to be a change in accounting policy and has been applied retrospectively to all prior periods presented.

Rupees '000	Note	2013	(Re-stated) 2012
4. FIXED ASSETS			
Operating assets	4.1	5,075,833	4,624,418
Major spare parts and stand-by equipments	4.5	42,722	29,810
Capital work-in-progress	4.6	854,849	1,160,276
		5,973,404	5,814,504

Notes to and forming part of the Financial Statement

for the year ended December 31, 2013

Rupees '000	Land		Building		Plant & machinery	Furniture & fixtures	Vehicles	Office equipment	Total
	Freehold	Leasehold	On freehold land	On leasehold land					
4.1 Operating assets									
Net carrying value basis									
Year ended December 31, 2013									
Opening net book value (NBV)	174	356,970	1,335	1,285,819	2,281,232	142,064	314,215	242,609	4,624,418
Additions (at cost)	-	-	-	70,060	682,410	20,545	161,044	67,110	1,001,169
Disposals									
- Cost	-	-	-	(27,040)	(102,429)	(5,880)	(117,529)	(276,223)	(529,101)
- Accumulated depreciation	-	-	-	9,539	77,504	5,702	68,780	274,046	435,571
- Accumulated impairment	-	-	-	16,571	24,443	10	9	-	41,033
	-	-	-	(930)	(482)	(168)	(48,740)	(2,177)	(52,497)
Depreciation charge	-	(5,251)	-	(36,532)	(292,956)	(16,053)	(85,977)	(55,145)	(491,914)
Impairment charge	-	-	-	-	(5,343)	-	-	-	(5,343)
Closing net book value	174	351,719	1,335	1,318,417	2,664,861	146,388	340,542	252,397	5,075,833
Gross carrying value basis									
At December 31, 2013									
Cost	174	382,676	64,417	1,634,079	4,433,453	248,445	548,225	531,388	7,842,857
Accumulated depreciation	-	(30,957)	(31,166)	(315,662)	(1,741,508)	(101,835)	(207,683)	(278,991)	(2,707,802)
Impairment loss - net	-	-	(31,916)	-	(27,084)	(222)	-	-	(59,222)
Net book value	174	351,719	1,335	1,318,417	2,664,861	146,388	340,542	252,397	5,075,833
Net carrying value basis									
Year ended December 31, 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									
- Cost	-	(2,776)	(2,181)	(5,064)	(152,971)	(7,116)	(80,320)	(12,504)	(262,932)
- Accumulated depreciation	-	1,039	836	943	101,006	5,978	51,231	11,203	172,236
- Accumulated impairment	-	-	-	4,281	34,052	712	-	1,873	40,918
Disposals (at NBV)	-	(1,737)	(1,345)	160	(17,913)	(426)	(29,089)	572	(49,778)
Depreciation charge	-	(5,348)	-	(28,686)	(208,684)	(13,372)	(83,527)	(47,043)	(386,660)
Impairment charge	-	-	-	-	(7,782)	-	-	-	(7,782)
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 December 31, 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
Depreciation rate % per annum	-	2.5 to 10	2.5	2.5	5 to 10	10	25	10 to 33.33	

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

Description Rupees ' 000	Cost	Accumulated depreciation and impairment loss	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
Buildings	300	95	205			
Plant & machinery	4,407	2,317	2,090			
Items sold with the tenders having individual book values less than Rs 50,000						
- Buildings	96	96	-			
- Plant & machinery	20,044	19,953	91			
- Office equipment	9,984	9,613	371			
- Furniture & Fixture	4,810	4,701	109			
	39,641	36,775	2,866	4,846	Tender	M/s Ganatra Salvaging, B-37, S.I.T.E., Karachi
Office equipment	182	35	147	156	Intercompany Sale	GSK Exports Limited
Motor vehicles	1,524	595	929	1,450	Tender	M/s Anjum Motors, Sind Engineering (Pvt) Limited 151-B,Block 2, PECHS, Karachi
"	720	540	180	710	"	M/s Honda Quaideen 233-A-2, PECHS, Karachi
"	900	675	225	700	"	M/s Suzuki South (Al-Saeed Motors) Korangi Industrial Area, Karachi
"	3,852	2,225	1,627	3,677	"	Mr. Abdul Hameed, Hameed Autos Shop No.11-A-3E-2-4A, Sohail Centre Nazimabad, Karachi
"	720	540	180	617	"	Mr. Adnan Ahmed Khan L-94, Sector 11/L, North Karachi, Karachi
"	490	368	122	425	"	Mr. Ajmal Khan, Dhedhi Business Avenue Plot # E/2, Office 214-A, S.I.T.E., Karachi
"	900	675	225	635	"	Mr. Ameer Rehman, Ghaura Banda, Sammar Bagh, Tehsil Sammar Bagh, Distt. Lower Deer
"	1,043	619	424	1,001	"	Mr. Atif Usman Nagi 150K, Block 2, PECHS, Prime Motors, Karachi
"	490	368	122	562	"	Mr. Fahim Uddin A/4, Block A, North Nazimabad, Karachi
"	2,753	1,715	1,038	2,752	"	Mr. Farrukh Amjad Shah, R-20 Sector 5/L, North Karachi, Karachi
"	1,423	1,067	356	1,333	"	Mr. Humair uddin D-64/4, F. B. Area, Karachi
"	637	418	219	627	"	Mr. Huzaifa Arif E-11, Block 8, Gulshan-e-Iqbal, Karachi
"	2,715	1,609	1,106	2,302	"	Mr. Javed Muhammad Khan A/2/2, Maymar Terrace, Gulshan-e-Iqbal, Karachi
"	655	491	164	580	"	Mr. Liaqat Ali Khan C-23/6, Pathan Colony, Karachi
"	655	491	164	580	"	Mr. Majid Ali Khan C-23/7, Pathan Colony, Karachi
"	900	675	225	677	"	Mr. Muhammad Ashraf 150-151, Sector 9, Block E-1 Saeedabad, Baldia Town, Karachi
"	963	722	241	1,067	"	Mr. Muhammad Islam Khan E-92, Block R, North Nazimabad, Karachi
Balance carried forward	61,163	50,603	10,560	24,697		

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for the year ended December 31, 2013

Rupees ' 000 Description	Cost	Accumulated depreciation and impairment loss	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
Balance brought forward	61,163	50,603	10,560	24,697		
Motor vehicles	2,431	984	1,447	2,515	Tender	Mr. Numeri Abrar A-50, Block 3, Gulistan e Johar, Karachi
"	2,183	1,241	942	2,088	"	Mr. S. M. Waseemuddin A-1/419, Harmain Towers Gulistan e Johar, Block 9, Karachi
"	720	540	180	685	"	Mr. Shehreyar 08 Qismat Colony, Orangi Town Sector 2, Karachi
	637	398	239	622	"	Mr. Syed Hassan Ali Warsi A-162/12, Gulberg, F.B.Area, Karachi
"	4,179	2,609	1,570	3,585	"	Mr. Syed Mohammad Haider Saleem Suzuki Riaz Motors, 273/1 Korangi Creek Road, Karachi
"	2,834	1,068	1,766	2,728	"	Mr. Syed Riaz Ahmed B-109, Ground Floor, Block-6, Gulshan-e-Iqbal, Karachi
"	662	403	259	662	"	Mr. Syed Sarmad Raza A-780/12, F.B.Area, Gulberg, Karachi
"	647	485	162	677	"	Mr. Usman Shahid B-6, Sector 11-B, North Karachi, Karachi
"	3,318	2,160	1,158	3,047	"	Mr. Wasim Mirza A-32, Block 10-A, Gulshan-e-Iqbal, Karachi
"	835	626	209	790	"	Mr. Zahid Jamil, F-14, United Centre, Block L North Nazimabad, Karachi
"	1,043	505	538	980	"	Mr. Zahid Qadri R-536, 15A/4, Buffer Zone, Karachi
"	1,895	947	948	1,800	Company policy	Dr. Jawwad Gill, Ex-Executive
"	1,775	1,331	444	710	"	Dr. Khawar S Khan, Director
"	1,043	521	522	900	"	Dr. Waseem Memon, Ex-Executive
"	1,389	1,042	347	556	"	Dr. Yousuf H Khan, Executive
"	1,760	220	1,540	1,425	"	Dr. Zainab Chagla, Ex-Executive
"	1,800	1,238	562	1,233	"	Mr. Abdul Samad, Ex-Executive
"	1,389	1,042	347	347	"	Mr. Abdur Rehman Khan, Executive
"	2,023	818	1,205	1,750	"	Mr. Ahmed Nadeem, Ex-Executive
"	1,414	862	552	440	"	Mr. Amir Ather, Ex-Executive
"	1,725	1,294	431	431	"	Mr. Anwar Ayaz, Executive
"	835	626	209	209	"	Mr. Anwar Rasheed, Ex-Executive
"	1,389	1,042	347	347	"	Mr. Aqeel Ahmed, Executive
"	1,098	463	635	974	"	Mr. Arij Jamil - Executive
"	929	279	650	232	"	Mr. Asad Saeed Zaidi, Executive
"	1,775	1,331	444	444	"	Mr. Azam Burney, Executive
"	905	679	226	362	"	Mr. Faisal Bin Suleman, Executive
"	1,524	405	1,119	1,363	"	Mr. Farhan Haroon, Executive
"	647	485	162	162	"	Mr. Fazal Durrani, Executive
"	2,057	350	1,707	1,825	"	Mr. Frayan Mama, Ex-Executive
"	2,810	2,108	702	702	"	Mr. Haji Hanif, Executive
"	1,000	609	391	786	"	Mr. Imran Haider Raza, Ex-Executive
"	1,462	777	685	1,080	"	Mr. Imtiaz Hussain, Executive
"	1,049	590	459	540	"	Mr. Jamaluddin, Ex-Executive
Balance carried forward	114,345	80,681	33,664	61,694		

Rupees ' 000 Description	Cost	Accumulated depreciation and impairment loss	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
Balance brought forward	114,345	80,681	33,664	61,694		
Motor vehicles	666	499	167	167	Company policy	Mr. Jamil Ahmed Syed, Ex-Executive
"	1,148	269	879	1,045	"	Mr. Jamil Saifi, Executive
"	1,875	699	1,176	902	"	Mr. Javed I Mirza, Ex-Executive
"	1,043	505	538	529	"	Mr. Kaleem Ahmed, Ex-Executive
"	652	489	163	163	"	Mr. Khalil Ur Rehman, Executive
"	1,389	1,042	347	347	"	Mr. Khawaja A Hameed, Executive
"	1,664	1,248	416	416	"	Mr. Maqbool Ur Rehman, Ex-Director
"	1,014	754	260	260	"	Mr. Mohammad Ali Zahed, Executive
"	1,462	754	708	731	"	Mr. Muhammad Saeed, Ex-Executive
"	1,524	524	1,000	1,215	"	Mr. Muzammil Munawwar, Ex-Executive
"	1,319	989	330	330	"	Mr. Najibuddin Ahmed, Executive
"	1,068	434	634	656	"	Mr. Noel U Chong, Ex-Executive
"	2,039	795	1,244	1,663	"	Mr. Rizwan Ahmed Khokhar, Executive
"	855	641	214	342	"	Mr. Sajjad Rana, Executive
"	1,526	1,144	382	382	"	Mr. Shabbir Gadriwala, Executive
"	1,148	359	789	669	"	Mr. Shahab Mansoor Jalali, Ex-Executive
"	1,462	594	868	1,350	"	Mr. Shakeel Abbas, Ex-Executive
"	1,039	520	519	900	"	Mr. Syed Kamran, Ex-Executive
"	4,316	2,967	1,349	2,848	"	Mr. Tariq Rasheed Dar, Ex-Executive
"	855	641	214	342	"	Mr. Waqar Ahmed, Executive
"	7,371	3,549	3,822	4,358	"	Ms. Erum Shakir Rahim, Director
"	1,098	343	755	925	"	Ms. Farheen Ali, Ex-Executive
"	1,849	1,185	664	1,233	"	Ms. Shehzana Ikram, Ex-Executive
"	999	609	390	599	"	Ms. Sonia Malik, Executive
"	969	727	242	242	"	Ms. Zeenat Azhar, Ex-Executive
Total	154,695	102,961	51,734	84,308		

4.3 Leasehold land includes land at Sundar Industrial Estate, Lahore, with a net book value of Rs. 17.99 million (2012: Rs. 18.45 million) for which lease from Punjab Industrial Estates Development and Management Company is not finalised.

4.4 Disposals include items written-off during the year costing Rs. 339.53 million (2012: Rs. 2.85 million) having carrying value of Rs. 0.81 million (2012: Rs. 1.49 million) in respect of closure of Landhi Factory.

Rupees '000	2013	2012
4.5 Major spare parts and standby equipments		
Gross carrying value		
Balance at beginning of the year	29,810	22,618
Additions during the year	21,486	11,227
Transfers made during the year	(8,574)	(4,035)
Balance at end of the year	42,722	29,810

Notes to and forming part of the Financial Statement
for the year ended December 31, 2013

Rupees '000	2013	2012
4.6 Capital work-in-progress		
Civil work	170,970	177,738
Plant and machinery	556,822	868,757
Furniture and fixtures	18,167	20,387
Office equipments	44,694	47,899
Advances to suppliers	113,140	78,074
	903,793	1,192,855
Provision for impairment	(48,944)	(32,579)
	854,849	1,160,276
5. 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	16.5%

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.

Rupees '000	2013	2012
6. LONG-TERM LOANS TO EMPLOYEES		
To executives	4,685	7,402
To other employees	116,038	125,663
	120,723	133,065
Recoverable within one year - note 10		
Executives	(4,082)	(2,412)
Other employees	(46,562)	(48,694)
	(50,644)	(51,106)
	70,079	81,959
Reconciliation of carrying amount of loans to executives:		
Opening balance	7,402	3,922
Disbursements including promotions	5,955	8,319
Recoveries and amortisation	(8,672)	(4,839)
	4,685	7,402

6.1 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 (2012: 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. 9.99 million (2012: Rs. 9.67 million).

Rupees '000	2013	(Re-stated) 2012
7. STORES AND SPARES		
Stores and spares	167,775	151,277
Provision for slow moving and obsolete items	(11,227)	(10,586)
	156,548	140,691

Rupees '000	2013	2012
8. STOCK-IN-TRADE		
Raw and packing materials including in transit Rs. 938.19 million (2012: Rs. 491.53 million)	2,455,476	2,240,928
Work-in-progress	586,481	518,042
Finished goods including in transit Rs. 481.39 million (2012: Rs. 221.43 million)	3,594,402	2,635,166
	6,636,359	5,394,136
Less: Provision for slow moving, obsolete and damaged items - note 8.3	(364,954)	(313,916)
	6,271,405	5,080,220
8.1 Stock-in-trade held with the third parties include the following:		
For use in third party manufacturing		
Roomi Enterprises (Private) Limited	128,383	61,362
Akhai Pharmaceuticals (Private) Limited	48,395	94,150
Pharmatec Pakistan (Private) Limited	43,494	157,498
Stock held with distributors and at third party warehouses		
Expeditors International Pakistan (Private) Limited	176,756	148,277
DHL Global Forwarding (Private) Limited	142,553	26,312
Vikor Enterprises (Private) Limited	65,630	73,791
Muller & Phipps Pakistan (Private) Limited	48,597	185,415
Chemitex (Private) Limited	27,836	-

8.2 Stock-in-trade includes items costing Rs. 2.18 billion (2012: Rs. 1.74 billion) valued at net realisable value of Rs. 1.93 billion (2012: Rs. 1.58 billion).

8.3 Stocks of Rs. 34.12 million (2012: Rs. 107.35 million) have been written off against provision during the year.

Notes to and forming part of the Financial Statement
for the year ended December 31, 2013

Rupees '000	2013	2012
9. TRADE DEBTS		
Considered good		
GlaxoSmithKline Trading Services Limited		
- Associated company	-	33,804
Others	349,950	316,558
Considered doubtful	57,261	36,547
	407,211	386,909
Provision for doubtful debts	(57,261)	(36,547)
	349,950	350,362

9.1 The maximum aggregate amount due from the related party at the end of any month during the year was Rs. 58.71 million (2012: Rs. 37.49 million).

Rupees '000	2013	2012
10. LOANS AND ADVANCES - considered good		
Loans due from employees - note 6	50,644	51,106
Advances to employees	39,684	40,435
Advances to suppliers	158,135	151,529
	248,463	243,070
11. TRADE DEPOSITS AND PREPAYMENTS		
Trade deposits	86,352	79,002
Prepayments	32,240	13,540
	118,592	92,542
12. REFUNDS DUE FROM GOVERNMENT		
Custom duty and sales tax		
- considered good	46,951	40,759
- considered doubtful	18,464	18,464
	65,415	59,223
Provision for doubtful receivables	(18,464)	(18,464)
	46,951	40,759

Rupees '000	2013	(Re-stated) 2012
13. OTHER RECEIVABLES		
Due from related parties		
- Associated companies - note 13.1	342,984	382,797
- BMS Pakistan (Private) Limited		
Management Staff Pension Fund - note 18.1	30,798	31,980
	373,782	414,777
Claims recoverable from suppliers		
- Associated companies	-	8,135
- Others	1,742	2,042
Receivable against sale of assets	3,318	3,318
Others	13,360	17,600
	392,202	445,872

Rupees '000	2013	(Re-stated) 2012
13.1 Due from associated companies		
GlaxoSmithKline Services Unlimited, UK	15,157	42,357
GlaxoSmithKline Export Limited, UK	140,647	80,528
GlaxoSmithKline Limited, Bangladesh	8,377	10,932
GlaxoSmithKline Biologicals, S.A.	8,234	103,008
Glaxo Operations UK Limited, UK	17	15
GlaxoSmithKline Investment Co. Limited, China	488	443
Stiefel Laboratories (Pte) Limited, Singapore - note 13.1.1	142,192	134,242
GlaxoSmithKline S.A.E., Egypt	1,064	964
Stiefel Laboratories Limited, USA	6,668	6,042
GlaxoSmithKline Consumer Healthcare R&D, UK	4,440	4,030
GlaxoSmithKline Consumer Nigeria plc, Nigeria	13,190	-
GlaxoSmithKline Pharmaceutical Sdn Bhd, Malaysia	2,297	-
GlaxoSmithKline (Pte) Limited, Singapore	213	236
	342,984	382,797

13.1.1 The company also has Rs. 142.19 million (2012: Rs. 134.24 million) payable to the same entity that has been classified in trade and other payables.

13.2 The maximum aggregate amount due from related parties at the end of any month during the year was Rs. 365.48 million (2012: Rs. 390.93 million).

14. INVESTMENTS - Held-to-maturity

Investments represent two treasury bills (2012: one treasury bill) which is held with company's banker for safe custody yielding 9.41% and 9.79% per annum (2012: 9.23% per annum) with maturity in January 2014.

Rupees '000	2013	2012
15. CASH AND BANK BALANCES		
With banks		
on deposit accounts	1,375,000	1,740,000
on PLS savings accounts	228,310	176,720
on current accounts [including foreign currency account Rs. 166.09 million (2012: Rs. 79.14 million)]	252,999	167,231
Cash and cheques in hand [including foreign currency in hand of Rs. 3.31 million (2012: Rs. 1.98 million)]	16,690	33,675
	1,872,999	2,117,626

15.1 At December 31, 2013 the rates of mark-up on PLS savings accounts and on term deposit accounts were 6.5% to 6.8% (2012: 6% to 6.5%) per annum and 8.5% to 9.2% (2012: 8% to 8.5%) per annum respectively.

Notes to and forming part of the Financial Statement
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Rupees '000				2013	2012
16.	**SHARE CAPITAL**				
	Authorised share capital				
	2013	2012			
	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 2013	2012			
	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
	219,789,047	193,469,437	Shares allotted as bonus shares	2,197,890	1,934,694
	289,515,707	263,196,097		2,895,156	2,631,960

16.1 As at December 31, 2013 S.R. One International B.V., Netherlands and its nominees held 222,891,465 shares (2012: 202,628,606 shares).

Rupees '000	2013	(Re-stated) 2012
17. RESERVES		
Capital reserve - reserve arising on amalgamation	2,184,238	2,184,238
General reserve	3,999,970	3,999,970
Unappropriated profit	2,269,949	2,577,270
	8,454,157	8,761,478

18. STAFF RETIREMENT BENEFITS

18.1 Staff Retirement benefits

18.1.1 The Company operates approved funded gratuity schemes for its permanent employees and approved funded pension scheme only for management employees of former GlaxoSmithKline Pharmaceuticals (Private) Limited (the Plans). Actuarial valuation of these plans is carried out every year and the latest actuarial valuation was carried out as at December 31, 2013.

18.1.2 Plan assets held in trust are governed by local regulations which mainly include Trust Act, 1882; the Companies Ordinance, 1984; Income Tax Rules, 2002 and the Rules under the trust deeds. Responsibility for governance of the Plans, including investment decisions and contribution schedules, lies with the Board of Trustees. The Company appoints the trustees and all trustees are employees of the Company.

18.1.3 The latest actuarial valuation of the Plan as at December 31, 2013 was carried out using the Projected Unit Credit Method. Details of the Fund as per the actuarial valuation are as follows:

Rupees '000	Gratuity funds 2013	Gratuity funds (Re-stated) 2012	Pension fund 2013	Pension fund (Re-stated) 2012
18.1.4 Balance sheet reconciliation				
Present value of defined benefit obligation at December 31 - note 18.1.5	1,292,228	1,108,768	105,433	98,249
Fair value of plan assets at December 31 - note 18.1.6	(1,041,251)	(933,488)	(136,231)	(130,229)
Deficit / (surplus)	250,977	175,280	(30,798)	(31,980)
18.1.5 Movement in the present value of defined benefit obligation				
Balance at January 1	1,108,768	1,057,028	98,249	83,544
Benefits paid by the plan	(117,928)	(124,427)	(5,729)	(5,375)
Current service cost	79,131	64,506	3,823	3,001
Interest cost	131,293	133,294	11,461	10,740
Remeasurement on obligation	90,964	(21,633)	(2,371)	6,339
Balance at December 31	1,292,228	1,108,768	105,433	98,249
18.1.6 Movement in the fair value of plan assets				
Balance at January 1	933,488	843,122	130,229	118,656
Contributions paid into the plan	100,242	64,793	-	-
Benefits paid by the plan	(117,928)	(124,427)	(5,729)	(5,375)
Interest income	114,384	111,983	15,298	15,110
Remeasurement on plan assets	11,065	38,017	(3,567)	1,838
Balance at December 31	1,041,251	933,488	136,231	130,229
18.1.7 Expense recognised in profit and loss account				
Current service cost	79,131	64,506	3,823	3,001
Net interest cost / (income)	16,909	21,311	(3,837)	(4,370)
Expense / (income) recognised in profit and loss account	96,040	85,817	(14)	(1,369)
18.1.8 Remeasurement recognised in Other Comprehensive Income				
(Gain) / loss from changes in demographic assumptions	(20)	-	79	-
Experience losses / (gain)	90,984	(21,633)	(2,450)	6,339
Remeasurement of fair value of plan assets	(11,065)	(38,017)	3,567	(1,838)
Remeasurements	79,899	(59,650)	1,196	4,501
18.1.9 Net recognised liability / (asset)				
Net liability / (asset) at the beginning of the year	175,280	213,906	(31,980)	(35,112)
Expense / (income) recognised in profit and loss account	96,040	85,817	(14)	(1,369)
Contribution made to the fund during the year	(100,242)	(64,793)	-	-
Remeasurements recognised in other comprehensive income	79,899	(59,650)	1,196	4,501
Recognised liability / (asset) as at December 31	250,977	175,280	(30,798)	(31,980)

Notes to and forming part of the Financial Statement
for the year ended December 31, 2013

Percentage	Gratuity funds 2013	Gratuity funds (Re-stated) 2012	Pension fund 2013	Pension fund (Re-stated) 2012
18.1.10 Plan assets comprise of the following				
Plan assets are comprised of the following:				
- Equity and mutual funds	13.61	15.90	-	-
- Bonds	84.57	80.01	98.66	96.77
- Others	1.82	4.09	1.34	3.23
	100.00	100.00	100.00	100.00
18.1.11 Actuarial Assumptions				
Discount rate at December 31	12.75	12.00	12.75	12.00
Future salary increases	12.75	12.00	12.75	12.00

18.1.12 Pre-Retirement mortality was assumed to be SLIC (2001-05) and Post-Retirement mortality was assumed to be PA (90) for males and females, as the case may be, but rated up one year. Wives were assumed to be 7 years younger than the husbands.

18.1.13 In case of the funded plans, the Company ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the retirement benefit plan. Within this framework, the Company's ALM objective is to match assets to the retirement benefit obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency. The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement benefit plan obligations. The Company has not changed the processes used to manage its risks from previous periods. The Company does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2013 consists of government bonds and term deposits. The Company believes that government bond offer the best returns over the long term with an acceptable level of risk.

18.1.14 The expected return on plan assets has been determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

The Company's contribution to gratuity and pension funds in 2014 is expected to amount to Rs. 118.23 million.

The actuary conducts separate valuations for calculating contribution rates and the Company contributes to the pension and gratuity funds according to the actuary's advice. Expense of the defined benefit plan is calculated by the actuary.

18.2 Sensitivity analysis for actuarial assumptions

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

Rupees '000	Impact on defined benefit obligation: Change in assumption	Increase in assumption	Decrease in assumption
Discount rate at December 31	1%	(98,958)	112,696
Future salary increases	1%	107,350	(96,422)

If longevity increases by 1 year, the resultant increase in obligation is insignificant.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity and pension liability recognised within the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Rupees '000.	2013	2012	2011	2010	2009
18.3 Historical information					
Gratuity funds					
Present value of defined benefit obligation	(1,292,228)	(1,108,768)	(1,057,028)	(940,478)	(883,550)
Fair value of plan assets	1,041,251	933,488	843,122	635,425	641,827
Deficit in the plan	(250,977)	(175,280)	(213,906)	(305,053)	(241,723)
Experience Adjustments					
Gain / (loss) on obligation (as percentage of plan obligation)	(7.04)%	1.95%	(0.16)%	(2.10)%	0.79%
Gain / (loss) on plan assets (as percentage of plan assets)	1.06%	4.07%	(1.43)%	(1.91)%	0.84%
Pension fund					
Present value of defined benefit obligation	(105,433)	(98,249)	(83,544)	(67,850)	(58,593)
Fair value of plan assets	136,231	130,229	118,656	111,558	100,610
Surplus in the plan	30,798	31,980	35,112	43,708	42,017
Experience Adjustments					
Gain / (loss) on obligation (as percentage of plan obligation)	2.25%	(6.45)%	(9.60)%	(1.84)%	(8.21)%
Gain / (loss) on plan assets (as percentage of plan assets)	(2.62)%	1%	(3.50)%	(0.54)%	(6.45)%

18.4 The Company's contributions towards the provident fund for the year ended December 31, 2013 amounted to Rs. 81.46 million (2012: Rs. 75.52 million).

18.5 The weighted average duration of approved funded gratuity schemes for its permanent employees is 8 years and of approved funded pension scheme only for management employees is 12 years.

18.6 Expected maturity analysis of undiscounted retirement benefit plans.

	At December 31, 2013					
Rupees '000.	Less than a year	Between 1-2 years	Between 2-5 years	Between 5-10 years	Over 10 years	Total
Retirement benefit plans	116,158	169,366	488,354	1,278,587	13,529,161	15,581,626

18.7 Figures in this note are based on the latest actuarial valuation carried out as at December 31, 2013.

Notes to and forming part of the Financial Statement
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Rupees '000		2013	(Re-stated) 2012
19.	**DEFERRED TAXATION**		
	Credit balance arising in respect of accelerated tax depreciation allowances	767,831	650,260
	Debit balances arising in respect of:		
	- Provision for retirement benefits	71,342	56,702
	- Provision for doubtful debts and refunds due from government	24,536	18,730
	- Provision for slow moving & obsolete stock and stores & spares	59,941	44,078
		155,819	119,510
		612,012	530,750

Rupees '000		2013	2012
20.	**TRADE AND OTHER PAYABLES**		
	Creditors		
	- Associated companies	1,611,548	950,892
	- Others	549,177	389,899
	Bills payable	76,391	47,518
	Royalty and technical assistance fee payable		
	- Associated company	682,582	502,398
	- Others	57,961	46,178
	Accrued liabilities - note 20.1	2,041,344	1,561,316
	Advances from customers	160,692	95,771
	Contractors' retention money	29,664	28,614
	Taxes deducted at source and payable to statutory authorities	45,479	25,514
	Workers' Profits Participation Fund - note 20.2	2,129	11,205
	Workers' Welfare Fund	35,980	45,530
	Central Research Fund	18,377	66,627
	Unclaimed dividend	53,895	49,864
	Dividend payable - note 20.3	159,116	100,175
	Others	37,094	28,838
		5,561,429	3,950,339

20.1 This includes liability for share based compensation amounting to Rs. 153.08 million (2012: Rs. 118.34 million).

Rupees '000		2013	2012
20.2	**Workers' Profits Participation Fund**		
	Opening liability	11,205	12,557
	Allocation for the year – note 27	98,160	125,236
		109,365	137,793
	Interest on funds utilised in Company's business – note 29	103	221
		109,468	138,014
	Amount paid to the Fund	(107,339)	(126,809)
	Closing liability	2,129	11,205

20.3 This amount pertains to dividend payable to Stiefel Laboratories (Ireland) Limited the application for remittance of which is pending with the State Bank of Pakistan.

Rupees '000	2013	2012
21. PROVISIONS		
Balance as at January 1	200,716	217,239
Charge for the year	15,244	29,897
Payments during the year	(50,881)	(46,420)
Balance as at December 31	165,079	200,716

21.1 Provisions include restructuring costs and government levies of Rs. 55.12 million and Rs. 109.96 million (2012: Rs. 92.47 million and Rs. 108.24 million) respectively.

22. CONTINGENCIES AND COMMITMENTS

22.1 Contingencies

(a) Claims against the Company not acknowledged as debt amount to Rs. 129.11 million (2012: Rs. 118.03 million) as at December 31, 2013 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 December 31, 1998 through 2001) the Assessing Officer (AO) had made additions to income raising tax demands of Rs. 73.6 million. Such additions were made on the contention that the Company had allegedly paid excessive amount for importing certain raw materials. Upon Company's appeal, the Commissioner of Inland Revenue (Appeals) (CIRA) had maintained the addition to income for assessment years 1999-2000 and 2000-2001 (accounting years ended December 31, 1998 and 1999) while the additions made in assessment years 2001-2002 and 2002-2003 (accounting years ended December 31, 2000 and 2001) were deleted. In respect of assessment years 1999-2000 and 2000-2001 the Company, and in respect of assessment years 2001-2002 and 2002-2003, the department, filed respective appeals with the Income Tax Appellate Tribunal (ITAT). In 2008, all the above assessments were set aside by ITAT for fresh consideration by the AO. In 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 December 31, 2001), the Assessing Officer (AO) had made addition to income raising tax demands of Rs. 4.03 million. Such addition was made on the contention that the Company had allegedly paid excessive amount for importing certain raw materials. Upon Company's appeal, the CIRA had maintained the addition to income against which the Company filed an appeal with the ITAT.

In 2008, the above assessment was set aside by ITAT for fresh consideration by the AO. In 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 who has maintained the aforesaid addition. The Company has filed appeal against the decision of the CIRA before the Appellate Tribunal Inland Revenue.

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

(iv) 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 December 31, 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.

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(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 December 31, 1989 through 2002) the Assessing Officer (AO) made additions to income raising tax demands of Rs. 314.10 million on the contention that the Company had allegedly paid excessive amounts for importing certain raw materials. CIRA also maintained the additions. On GSKPPL's appeals, the additions made by the AO were deleted by ITAT. Later, the department filed appeals against the decision of ITAT in the High Court of Sindh (the High Court).

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.

(vi) During the year, while finalising the assessments of the Company for tax year 2012 (accounting year ended December 31, 2011) the Additional Commissioner (AC) made additions to income raising tax demands of Rs. 87.15 million on the contention that the Company had allegedly paid excessive amounts on account of royalty and technical fees and for importing certain raw materials. The Company has filed an appeal with the Commissioner of Inland Revenue (Appeals) (CIRA) in respect of the said matter.

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.

(c) Sales Tax

(i) Effective July 1 , 2013, Sindh Revenue Board has levied Sindh Sales Tax at the rate of 16 per cent on toll manufacturing activities under Sindh Sales Tax on Services Act, 2011 treating such activity as a 'service'. Historically, such activity had been treated as a 'manufacturing' of goods and were taxable within the domain of Federal Sales Tax Act, 1990. No sales tax was payable under the Federal law on toll manufacturing charges paid by the Company owing to the fact that the Company is engaged in manufacturing of pharmaceutical products which are exempt from federal sales tax.

In view of above, the Company has jointly filed a constitutional petition with M/s Pharmatec Pakistan (Pvt.) Limited (toll manufacturer of the Company) before the Hon'able Sindh High Court contending that toll manufacturing is a process and not a service; therefore comes under the legislative authority of the Federal Government; hence, Sindh Sales Tax is not chargeable on toll manufacturing charges billed to the Company. The High Court has issued a stay order and restrained Sindh Revenue Board from collection of sales tax on toll manufacturing charges till the time aforesaid petition is decided by the Court. The management of the Company on the advice of its legal counsel is confident that the eventual outcome of the petition would be in favour, hence, no provision is made in the accounts for sales tax on toll manufacturing charges which estimates to an amount of Rs. 29.96 million.

(ii) Through the Finance Act, 2013, section 2(22-A) of the Sales Act, 1990 has been amended on which the Federal Board of Revenue (FBR) contends that unless the Federal Government through a notification in the official gazette declares any tax levied under the provincial laws to be the provincial sales tax for the purpose of 'input tax', no adjustment can be taken for any provincial sales tax paid on services.

In this regard constitution petition has been filed by the Company in the High Court of Sindh praying either to declare aforementioned section 2(22-A) amended through the Finance Act, 2013 to be completely unconstitutional, without jurisdiction, illegal, void ab-initio and of no legal effect; or hold and declare that the aforementioned section 2(22-A) amended through the Finance Act, 2013 does not have any bearing on the definition of the 'input tax' as stated in section 2(14)(d) of the Sales Tax Act, 1990. The constitutional petition is pending before the High Court of Sindh, however, an interim relief has been granted that no action whatsoever should be initiated against the petitioner who have filed sales tax returns manually or electronically after adjustment of provincial sales tax on services. Accordingly, the sales tax on services aggregating Rs. 17.26 million paid by the Company from July 1, 2013 to December 31, 2013 has been adjusted as 'input tax' by the Company while filing monthly sales tax return.

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 tax demands.

22.2 Commitments

Commitments for capital expenditure outstanding as at December 31, 2013 amounted to Rs. 232.34 million (2012: Rs. 598.69 million).

Rupees '000	2013	2012
23. NET SALES		
Gross sales		
Local	25,110,902	23,015,492
Export	923,658	802,022
	26,034,560	23,817,514
Less: Commissions, returns and discounts	542,845	494,705
Sales tax	260,837	172,845
	25,230,878	23,149,964

23.1 Sales of major product categories i.e. antibiotics, dermatologicals and consumer during the year amounted to Rs. 9.86 billion, Rs. 3.19 billion and Rs. 3.66 billion (2012: Rs. 9.33 billion, Rs. 3.01 billion and Rs. 2.65 billion) respectively.

23.2 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 (2012: two distributor) exceed 10 percent of the net sales during the year, amounting to Rs. 3.34 billion and Rs. 2.96 billion (2012: Rs. 3.06 billion and Rs. 2.53 billion).

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Rupees '000	2013	(Re-stated) 2012
24. COST OF SALES		
Raw and packing materials consumed	13,067,837	10,606,560
Manufacturing charges to third parties	471,245	395,908
Stores and spares consumed	53,174	41,296
Salaries, wages and other benefits - note 24.1	1,328,052	1,194,482
Fuel and power	569,759	426,436
Rent, rates and taxes	3,375	5,211
Royalty and technical assistance fee	212,208	230,884
Insurance	112,957	93,916
Publication and subscriptions	1,567	359
Repairs and maintenance	203,217	166,139
Training expenses	2,821	1,769
Travelling and entertainment	10,738	22,049
Vehicle running	23,966	20,888
Depreciation and impairment	383,457	274,192
Provision for slow moving and obsolete stock and damaged items	85,158	48,099
Provision for slow moving and obsolete stores and spares	641	4,428
Canteen expenses	91,907	82,035
Laboratory expenses	41,938	39,146
Communication and stationery	10,966	10,189
Security expenses	11,339	11,759
Stock written off	17,771	15,410
Stores and spares written off	-	4,714
Other expenses	50,959	42,565
	16,755,052	13,738,434
Opening stock of work-in-process	508,555	577,804
Closing stock of work-in-process	(583,291)	(508,555)
	16,680,316	13,807,683
Opening stock of finished goods	2,384,664	2,979,902
Purchase of finished goods	3,498,279	2,817,775
	22,563,259	19,605,360
Closing stock of finished goods	(3,385,581)	(2,384,664)
Cost of samples shown under selling, marketing and distribution expenses - sales promotion	(170,513)	(115,713)
	19,007,165	17,104,983

24.1 Salaries, wages and other benefits include Rs. 39.31 million and Rs. 34.51 million (2012: Rs. 42.74 million and Rs. 39.14 million) in respect of defined benefit plans and contributory provident fund respectively.

Rupees '000	2013	(Re-stated) 2012
25. SELLING, MARKETING AND DISTRIBUTION EXPENSES		
Salaries, wages and other benefits - note 25.1	1,018,739	868,256
Sales promotion and symposiums	959,263	867,763
Advertising	575,947	333,870
Handling, freight and transportation	455,308	392,688
Travelling and entertainment	270,321	250,833
Depreciation	69,732	59,978
Vehicle running	72,523	68,124
Publication and subscriptions	33,706	31,579
Fuel and power	19,982	20,293
Communication	23,888	26,347
Provision / (reversal of provision) for doubtful debts	20,714	(11,001)
Repairs and maintenance	25,366	24,792
Insurance	30,833	21,585
Printing and stationery	13,447	15,075
Security expenses	12,633	11,280
Rent, rates and taxes	1,089	9,721
Canteen expenses	1,755	1,530
Training expenses	1,320	8,201
Other expenses	29,348	27,450
	3,635,914	3,028,364

25.1 Salaries, wages and other benefits include Rs. 37.96 million and Rs. 31.57 million (2012: Rs. 31.19 million and Rs. 24.26 million) in respect of defined benefit plans and contributory provident fund respectively.

Rupees '000	2013	(Re-stated) 2012
26. ADMINISTRATIVE EXPENSES		
Salaries, wages and other benefits - note 26.1	555,397	446,758
Depreciation	60,433	60,272
Communication	21,039	28,320
Training expenses	9,860	8,047
Legal and professional charges	43,424	44,254
Travelling and entertainment	28,638	22,864
Repairs and maintenance	45,412	34,204
Donations - note 26.2	4,684	23,011
Printing and stationery	13,965	9,917
Auditors' remuneration - note 26.3	8,942	10,689
Vehicle running	28,858	23,992
Security expenses	21,097	18,285
Publication and subscriptions	6,962	11,571
Rent, rates and taxes	7,667	6,702
Insurance	18,400	9,830
Canteen expenses	9,696	8,306
Restructuring cost	13,528	5,700
Other expenses - note 26.4	22,394	12,144
	920,396	784,866

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26.1 Salaries, wages and other benefits include Rs. 18.76 million and Rs. 15.38 million (2012: Rs. 10.53 million and Rs. 12.12 million) in respect of defined benefit plans and contributory provident fund respectively.

26.2 Donations include a sum of Rs. 341 thousand (2012: Rs. 330 thousand) paid to Concern for Children Trust, B/63, Estate Avenue, S.I.T.E, Karachi. Mr. Muhammad Salman Burney, Chairman / Chief Executive, Mr. Shahid Mustafa Qureshi, Director, Ms. Erum Shakir Rahim, Director, Ms. Pouru Chisty Sidwa, Executive, and Ayesha Muharram, Executive are trustees for the fund.

Rupees '000	2013	2012
26.3 Auditors' remuneration		
Audit fee	4,500	4,500
Fee for review of half yearly financial statements, special certifications and others	3,200	4,005
Taxation services	500	1,500
Out-of-pocket expenses	742	684
	8,942	10,689

26.4 These represent expenses of Rs. 47.05 million (2012: Rs. 214.10 million) net of recovery of Rs. 24.65 million (2012: Rs. 201.96 million) from related parties.

Rupees '000	2013	2012
27. OTHER OPERATING EXPENSES		
Workers' Profits Participation Fund - note 20.2	98,160	125,236
Workers' Welfare Fund	36,692	42,334
Central Research Fund	18,378	25,047
	153,230	192,617
28. OTHER INCOME		
Income from financial assets		
Return on Treasury Bills	17,260	19,004
Income on savings and deposit accounts	141,627	140,781
	158,887	159,785
Income from non-financial assets		
Gain on disposal of operating assets	39,485	101,455
Others		
Scrap sales	40,387	36,459
Insurance commission	21,417	20,424
Service fee on clinical trial studies	1,855	9,046
Liabilities no longer required written back	6,385	2,493
Gain on transfer of marketing authorisation rights and related trademarks of certain products	186,500	-
Others	-	463
	454,916	330,125

Rupees '000	2013	2012
29. FINANCIAL CHARGES		
Exchange loss - net	143,070	31,196
Bank charges	16,044	16,095
Interest on Workers' Profit Participation Fund – note 20.2	103	221
	159,217	47,512

Rupees '000	2013	(Re-stated) 2012
30. TAXATION		
Current		
- for the year	720,999	867,000
- prior years	(82,143)	(17,002)
Deferred	108,753	145,245
	747,609	995,243
30.1 Relationship between tax expense and accounting profit		
Profit before taxation	1,809,872	2,321,747
Applicable tax rate	34%	35%
Tax calculated at applicable tax rate	615,356	812,611
Impact of taxability at different rate and Final Tax Regime	228,958	191,156
Prior years' adjustment	(82,143)	(17,002)
Effect of change in tax rate	(15,164)	-
Tax effect of other than temporary differences	602	8,478
	747,609	995,243
31. EARNINGS PER SHARE		
Profit after taxation	1,062,263	1,326,504
Weighted average number of outstanding shares - note 31.1	289,516	289,516
Earnings per share - basic	Rs. 3.67	Rs. 4.58

31.1 The weighted average shares at December 31, 2012 have been increased to reflect the bonus shares issued during the year.

31.2 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.

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Rupees '000	2013	(Re-stated) 2012
32. CASH GENERATED FROM OPERATIONS		
Profit before taxation	1,809,872	2,321,747
Add / (less): Adjustments for non-cash charges and other items		
Depreciation and impairment	513,622	394,442
Gain on disposal of operating assets	(39,485)	(101,455)
Gain on transfer of marketing authorisation and related trademarks rights of certain products	(186,500)	-
Interest income	(158,887)	(159,785)
Provision for staff retirement benefits	96,026	84,448
	224,776	217,650
Profit before working capital changes	2,034,648	2,539,397
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Stores and spares	(15,857)	(11,233)
Stock-in-trade	(1,191,185)	522,306
Trade debts	412	(6,958)
Loans and advances	(5,393)	(79,692)
Trade deposits and prepayments	(26,050)	(37,885)
Refunds due from government	(6,192)	(23,655)
Other receivables	52,488	(119,164)
	(1,191,777)	243,719
Increase / (decrease) in current liabilities		
Trade and other payables	1,548,118	269,341
Provisions	(35,637)	(16,523)
	320,704	496,537
	2,355,352	3,035,934

Rupees '000	2013	2012
33. CASH AND CASH EQUIVALENTS		
Cash and bank balances - note 15	1,872,999	2,117,626
Short term investment - Treasury bill - note 14	224,269	198,118
	2,097,268	2,315,744

34. SEGMENT INFORMATION

Management has determined the operating segments based on the information that is presented to the chief operation decision-maker of the company for allocation of resources and assessment of performance. Based on internal management reporting structure the company is organised into the following two operating segments:

- Pharmaceuticals
- Consumer healthcare

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

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

34.1 The financial information regarding operating segments is as follows:

Segment wise operating results

	Year ended December 31, 2013			Year ended December 31, 2012 (Re-stated)		
Rupees '000.	Pharma-ceuticals	Consumer healthcare	Total	Pharma-ceuticals	Consumer healthcare	Total
Revenue – note 34.2	21,575,588	3,655,290	25,230,878	20,497,499	2,652,465	23,149,964
Cost of sales	(16,380,191)	(2,626,974)	(19,007,165)	(15,084,172)	(2,020,811)	(17,104,983)
Gross profit	5,195,397	1,028,316	6,223,713	5,413,327	631,654	6,044,981
Selling, marketing and distribution expenses	(2,819,950)	(815,964)	(3,635,914)	(2,459,307)	(569,057)	(3,028,364)
Administrative expenses	(850,338)	(70,058)	(920,396)	(728,598)	(56,268)	(784,866)
Segment results	1,525,109	142,294	1,667,403	2,225,422	6,329	2,231,751
Other operating expenses			(153,230)			(192,617)
Other operating income			454,916			330,125
Financial Charges			(159,217)			(47,512)
Profit before taxation			1,809,872			2,321,747

34.2 There are no inter-segment sales.

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

	As at December 31, 2013			As at December 31, 2012 (Re-stated)		
Rupees '000.	Pharma-ceuticals	Consumer healthcare	Total	Pharma-ceuticals	Consumer healthcare	Total
Segment assets	13,770,075	813,261	14,583,336	12,628,145	617,576	13,245,721
Unallocated assets			3,355,474			3,004,802
Total Assets			17,938,810			16,250,523
Segments liabilities	5,122,799	382,144	5,504,943	3,708,848	118,127	3,826,975
Unallocated liabilities			1,084,554			1,030,110
Total liabilities			6,589,497			4,857,085

Notes to and forming part of the Financial Statement
for the year ended December 31, 2013

34.4 Other segment information is as follows:

Rupees '000.	Year ended December 31, 2013 Pharma-ceuticals	Consumer healthcare	Total	Year ended December 31, 2012 (Re-stated) Pharma-ceuticals	Consumer healthcare	Total
Depreciation and impairment	504,515	9,107	513,622	387,274	7,168	394,442
Salaries, wages and other benefits	2,796,269	105,919	2,902,188	2,424,135	85,361	2,509,496
Sales promotion and advertisement	867,276	667,934	1,535,210	784,672	416,961	1,201,633
Handling and freight	427,335	27,973	455,308	380,359	12,329	392,688

35. 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:

Rupees '000.	Chief Executive 2013	Chief Executive (Restated) 2012	Directors 2013	Directors (Restated) 2012	Executives 2013	Executives (Restated) 2012
Managerial remuneration	18,491	16,590	25,628	25,772	357,301	288,370
Bonus - note 35.1	40,028	32,856	24,990	25,316	196,548	133,745
Retirement benefits *	3,548	2,746	7,840	4,975	99,600	49,311
House rent	7,564	6,787	11,533	11,597	148,179	119,803
Utilities	1,681	1,508	2,563	2,577	32,929	26,647
Medical expenses	111	78	364	470	13,572	12,455
Others	419	562	2,289	3,179	38,029	30,557
	71,842	61,127	75,207	73,886	886,158	660,888
Number of person(s)	1	1	5	5	296	228

35.1 Bonus includes share based payments as Share Appreciation Rights (SARs) given to the Chief Executive, Executive Directors and certain executives amounting to Rs. 72.25 million (2012: Rs. 62.54 million). These are granted every year and are payable upon completion of three years of qualifying period of service. These are linked with the share value of ultimate parent company, GlaxoSmithKline plc, UK. Accruals made for bonus during the year are actualised subsequent to the year end when performance evaluations are finalised; and comparative figures are adjusted accordingly.

* Retirement benefits represent amount contributed towards various retirement benefit plans.

In addition to the above, fee to three (2012: three) non-executive Directors during the year amounted to Rs. 900 thousand (2012: Rs. 275 thousand).

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

36. TRANSACTIONS WITH RELATED PARTIES

Rupees '000		2013	2012
Relationship	**Nature of transactions**		
Holding Company:	Dividend paid	810,580	736,942
Associated companies:	a. Purchase of goods	5,338,218	3,930,896
	b. Purchase of property, plant and equipment	-	191,320
	c. Sale of property, plant and equipment	156	-
	d. Sale of goods	120,059	110,754
	e. Royalty expense charged	198,010	216,909
	f. Recovery of expenses	24,077	100,505
	g. Service fee on clinical trial studies	1,855	9,045
	h. Donations	341	330
	i. Payment on behalf of associated company	575	109,609
Staff retirement funds:	a. Expense charged for retirement benefit plans	177,490	159,972
	b. Payments to retirement benefit plans	181,702	140,308
Key management personnel:	a. Salaries and other employee benefits	189,042	204,765
	b. Post employment benefits	17,708	14,049
	c. Sale of assets - sales proceeds	5,484	8,154
	d. Legal / professional fee	-	127

36.1 Balances of related parties as at December 31, 2013 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.

37. RUNNING FINANCE UNDER MARK-UP ARRANGEMENTS

The facility for running finance available from a bank amounted to Rs. 100 million (2012: Rs. 100 million). Rate of mark-up is three month KIBOR plus 1.25% (2012: 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 December 31, 2013 amounted to Rs. 2.82 billion (2012: Rs. 2.43 billion) of which unutilised balances at the year end amounted to Rs. 2.27 billion (2012: Rs. 1.80 billion).

Notes to and forming part of the Financial Statement
for the year ended December 31, 2013

38. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

38.1 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.

Rupees '000	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	
Financial assets							
Loans to employees	17	4,581	4,598	50,627	65,498	116,125	120,723
Trade deposits	-	-	-	86,352	-	86,352	86,352
Trade debts	-	-	-	349,950	-	349,950	349,950
Interest accrued	-	-	-	9,753	-	9,753	9,753
Other receivables	-	-	-	361,404	-	361,404	361,404
Cash and bank balances	1,603,310	-	1,603,310	269,689	-	269,689	1,872,999
Treasury bill	224,269	-	224,269	-	-	-	224,269
December 31, 2013	1,827,596	4,581	1,832,177	1,127,775	65,498	1,193,273	3,025,450
December 31, 2012	2,116,654	1,838	2,118,492	1,105,656	96,882	1,202,538	3,321,030
Financial liabilities							
Trade and other payables	-	-	-	5,298,772	-	5,298,772	5,298,772
December 31, 2013	-	-	-	5,298,772	-	5,298,772	5,298,772
December 31, 2012	-	-	-	3,705,692	-	3,705,692	3,705,692
On balance sheet gap							
December 31, 2013	1,827,596	4,581	1,832,177	(4,170,997)	65,498	(4,105,499)	(2,273,322)
December 31, 2012	2,116,654	1,838	2,118,492	(2,600,036)	96,882	(2,503,154)	(384,662)

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

38.2 Financial Risk Management

(a) Market risk

(i) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. As at December 31, 2013 the company does not have any borrowings. Further, the entire interest bearing financial assets of Rs. 1.83 billion (2012: Rs. 2.12 billion) are on fixed interest rates, hence management believes that the company is not exposed to interest rate changes.

(ii) Currency risk

Foreign currency risk arises mainly where receivables and payables exist in foreign currency due to transactions with foreign undertakings. Net payables exposed to foreign currency risk as at December 31, 2013 amount to Rs. 1,178.86 million (2012: Rs. 536.47 million). The liability is mainly denominated in US Dollars. At December 31, 2013, 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. 58.94 million (2012: Rs. 26.82 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:

Rupees '000	2013	2012
Trade debts	349,950	350,362
Loans to employees, trade deposits, interest accrued and other receivables	578,232	654,924
Bank balances	1,856,309	2,083,951
	2,784,491	3,089,237

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. 106.71 million (2012: Rs. 114.44 million) are past due of which Rs. 57.26 million (2012: 36.55 million) have been impaired. Past due but not impaired balances include Rs. 10.35 million (2012: Rs. 22.35 million) outstanding for more than three months.

Loans to employees are secured against their retirement benefits.

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 arranging financing through banking facilities and managing timing of payments to associated undertakings.

39. PROVIDENT FUND RELATED DISCLOSURES

The following information is based on un-audited financial statements of the Fund:

Rupees '000	2013	2012
Size of the fund - Total assets	2,371,642	2,037,634
Fair value of investments	2,256,860	1,921,633
Percentage of investments made	95.16%	94.31%

39.1 The cost of the above investments amounted to Rs. 2,097.72 million (2012: Rs. 2,037.63 million)

39.2 The break-up of the fair value of investments is as follows:

	Percentage (%)		Rupees '000	
	2013	2012	2013	2012
Government securities	75.66	71.33	1,707,606	1,370,774
Debt securities	1.89	4.74	42,717	91,177
Equity securities	16.02	14.96	361,648	287,485
Mutual funds	6.20	5.01	139,889	96,197
Bank deposits	0.22	3.95	5,000	76,000

Notes to and forming part of the Financial Statement
for the year ended December 31, 2013

39.3 The investments out of provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

No. of Employees	2013	2012
40. NUMBER OF EMPLOYEES		
Number of employees including contractual employees at the end of year	2,540	2,536
Average number of employees including contractual employees at the end of year	2,570	2,555

41. 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.

42. 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.

43. SUBSEQUENT EVENTS

The Board of Directors in its meeting held on February 7, 2014 proposed a cash dividend of Rs. 3.50 per share (2012: Rs. 4 per share) amounting to Rs. 1.01 billion (2012: Rs. 1.05 billion) and proposed a transfer of Rs. 289.52 million (2012: Rs. 263.20 million) from 'unappropriated profit' to "reserve for issue of bonus shares" for issuance of 10 bonus shares for every 100 shares held subject to the approval of the members in the forthcoming annual general meeting of the Company.

44. CORRESPONDING FIGURES

Corresponding figures have been re-arranged and reclassified, wherever necessary for purpose of comparison. There were no significant reclassifications in these financial statements.

45. DATE OF AUTHORISATION FOR ISSUE

These financial statements were approved and authorised for issue by the Board of Directors of the Company on February 7, 2014.

M. Salman Burney
Chairman / Chief Executive

Yahya Zakaria
Chief Financial Officer

Pattern of Shareholding

Form 34

NUMBER OF SHAREHOLDERS	SHARES HOLDING From	SHARES HOLDING To	TOTAL SHARES HELD
1538	1	100	35,521
1,317	101	500	411,688
976	501	1000	740,443
1,335	1001	5000	3,217,162
368	5001	10000	2,647,923
143	10001	15000	1,755,045
66	15001	20000	1,171,196
54	20001	25000	1,216,774
35	25001	30000	962,346
22	30001	35000	728,930
13	35001	40000	499,865
6	40001	45000	258,430
19	45001	50000	918,738
9	50001	55000	472,759
6	55001	60000	340,218
7	60001	65000	444,869
6	65001	70000	404,740
1	70001	75000	73,617
3	75001	80000	236,567
6	80001	85000	493,931
5	85001	90000	437,384
2	90001	95000	185,436
5	95001	100000	493,707
1	100001	105000	100,014
1	105001	110000	110,000
2	110001	115000	225,617
2	130001	135000	264,173
3	145001	150000	442,132
1	150001	155000	154,212
2	160001	165000	326,792
2	170001	175000	348,657
1	195001	200000	200,000
2	215001	220000	433,344
2	220001	225000	445,808
1	250001	255000	252,800
2	275001	280000	553,067
1	295001	300000	300,000
1	335001	340000	335,500
1	345001	350000	350,000
1	420001	425000	425,000
2	435001	440000	880,000
1	470001	475000	470,085
1	535001	540000	539,692
1	765001	770000	769,835
1	985001	990000	985,147
1	1685001	1690000	1,685,500
1	4395001	4400000	4,395,099
1	8340001	8345000	8,342,442
1	8930001	8935000	8,933,413
1	16205001	16210000	16,208,624
1	35795001	35800000	35,799,299
1	187090001	187095000	187,092,166
5,981			289,515,707

Categories of Shareholders

a)

Sr. No.	Categories of Shareholders	Number of Shareholders	Shares held	Percentage (%)
1	Individuals	2,127	4,778,631	1.65
2	Investment Companies	4	2,610	0.00
3	Insurance Companies	1	1	0.00
4	Joint Stock Companies	10	20,658	0.01
5	Financial Institutions	2	5,490	0.00
6	Associated Companies	4	239,117,997	82.59
7	Central Depository Company (b)	3,828	45,551,005	15.74
8	Others (see below)	5	39,315	0.01
		5,981	289,515,707	100.00

Others:

i	Mohsin Trust	1	24,048	0.01
ii	The Al-Malik Charitable Trust	1	851	0.00
iii	Securities Exchange Commission of Pakistan	1	1	0.00
iv	Punjabi Saudagar Multipurpose Co-operative Society	1	302	0.00
v	The Anjuman Wazifa Sadat-o-Momineen Pakistan	1	14,113	0.00
		5	39,315	0.01

(b) Categories of Account holders and Sub-Account holders as per Central Depository Company of Pakistan as at December 31, 2013

Sr. No.	Categories of Shareholders	Number of Shareholders	Shares held	Percentage (%)
1	Individuals	3,705	13,708,279	4.74
2	Investment Companies	14	594,383	0.21
3	Insurance Companies	9	10,462,794	3.61
4	Joint Stock Companies	59	1,434,046	0.50
5	Financial Institutions	12	14,483,418	5.00
6	Modarabas	2	41,937	0.01
7	Foreign Shareholders	9	3,247,858	1.12
8	Others (see below)	18	1,578,290	0.55
		3,828	45,551,005	15.74

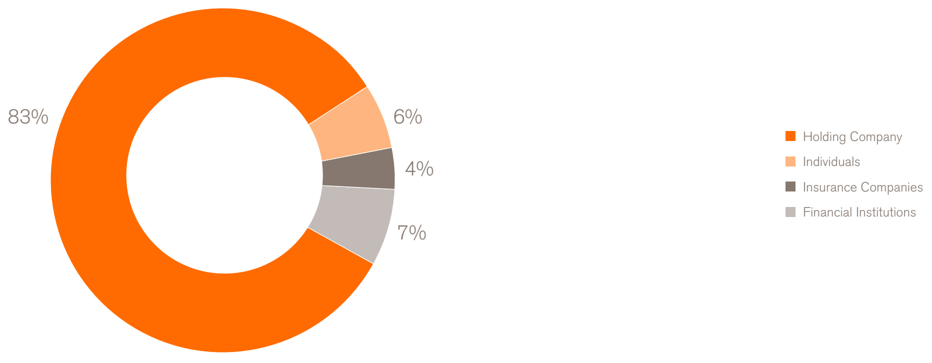
Others:

i	Trustee Iqbal Adamjee Trust	1	2,500	0.00
ii	The Aga Khan University Foundation	1	32,282	0.01
iii	The Pakistan Memon Educational & Welfare Society	1	41,023	0.02
iv	Trustees Kandawala Trust	1	62,139	0.02
v	Trustees Saeeda Amin WAKF	1	73,617	0.03
vi	Trustees Mohammad Amin WAKF ESTATE	1	145,362	0.05
vii	Managing Committee Karachi Zarthosti Banu Mandal	1	26,375	0.01
viii	Trustees of Aminia Muslim Girls School	1	30,000	0.01
ix	Trustees of Zafa Phar Lab. Staff P. Fund	1	15,217	0.01
x	Trustee Gul Ahmed Textile Mills Ltd.	1	1,705	0.00
xi	Trustees Mrs Khorshed H Dinshaw & Mr Hoshang N.E Dinshaw C.T	1	49,309	0.02
xii	Trustees D.N.E. Dinshaw Charity Trust	1	66,919	0.02
xiii	Trustee A. Saadat & Co. Employees Gratuity Fund	1	5,566	0.00
xiv	Trustee of E & A Consulting (Pvt.) Ltd. Employee P.F.	1	10,000	0.00
xv	Trustee National Bank of Pakistan Emp Benevolent Fund Trust	1	27,012	0.01
xvi	Trustee of Pakistan Mobile Communication Ltd. Provident Fund	1	216,500	0.07
xvii	The Al-Malik Charitable Trust	1	2,929	0.00
xviii	Trustee National Bank of Pakistan Employees Pension Fund	1	769,835	0.27
		18	1,578,290	0.55

Shareholding Information

Categories of Shareholders	Number of Shareholders	Number of Shares Held	Percentage (%)
Directors and their spouse(s) and minor children			
Mr. Rafique Dawood	2	1,565	0.00
Mr. Husain Lawai	1	3,521	0.00
Mr. Shahid Mustafa Qureshi	1	3	0.00
Mr. Maqbool-ur-Rehman	1	2,367	0.00
Mr. Muhammad Salman Burney	1	4,347	0.00
Associated Companies, undertakings and related parties			
S. R. One International B.V. Netherlands	2	222,891,465	76.99
SmithKline Beecham Nominee Ltd.	1	17,908	0.01
Stiefel Laboratories (Ireland) Ltd.	1	16,208,624	5.60
Executives	4	10,293	0.00
Public Sector Companies and Corporations	10	13,108,759	4.53
Banks, development finance institutions, non-banking finance companies, insurance companies takaful, modarabas and pension funds	22	3,751,921	1.30
Mutual Funds			
National Bank of Pakistan - Trustee Department NI(U)T Fund	1	8,933,413	3.09
CDC - Trustee First Dawood Mutual Fund	1	335,500	0.12
CDC - Trustee AKD Index Tracker Fund	1	10,712	0.00
CDC - Trustee First Habib Stock Fund	1	35,000	0.01
MCBFSL - Trustee URSF - Equity Sub Fund	1	8,895	0.00
MCBFSL - Trustee UIRSF - Equity Sub Fund	1	5,187	0.00
MCBFSL - Trustee Namco Balanced Fund	1	50,000	0.02
CDC - Trustee KSE Meezan Index Fund	1	81,048	0.03
CDC - Trustee First Habib Islamic Balanced Fund	1	12,000	0.00
CDC - Trustee PIML Strategic Multi Asset Fund	1	30,000	0.01
CDC - Trustee First Capital Mutual Fund	1	15,000	0.01
JS Global Capital Limited - MF	1	1,500	0.00
Standard Capital Securities (Pvt) Limited - MF	1	7,000	0.00
General Public			
a. Local	5822	18,464,814	6.38
b. Foreign	3	345,401	0.12
Foreign Companies	6	2,902,457	1.00
Others	91	2,277,007	0.78
Totals	5,981	289,515,707	100.00
Share holders holding 5% or more			
S.R. One International B.V. Netherlands		222,891,465	76.99
Stiefel Laboratories (Ireland) Limited		16,208,624	5.60

Distribution of Shares



Notice of Annual General Meeting

Notice is hereby given that the SIXTY-SEVENTH Annual General Meeting of the Shareholders of the Company will be held at the Beach Luxury Hotel, Karachi at 12:00 noon on Monday, April 28, 2014 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, 2013 and the Auditors' Report thereon;

   (b) to approve the payment of a dividend.

2. To appoint Auditors and fix their remuneration.

3. To elect seven (07) Directors of the Company as fixed by the Board for a term of three years commencing from May 7, 2014 in accordance with the provisions of Section 178(1) of the Companies Ordinance, 1984. The ten (10) retiring Directors are Mr. M. Salman Burney, Mr. Shahid Mustafa Qureshi, Mr. Yahya Zakaria, Mr. Maqbool-ur-Rehman, Mr. Dave Cooper, Mr. Rafique Dawood, Mr. Husain Lawai, Mr. Mehmood Mandviwalla, Ms. Erum S. Rahim and Ms. Fariha Salahuddin.

   The retiring Directors are eligible for re-election.

B. SPECIAL BUSINESS

To consider and if thought fit to capitalize a sum of Rs. 289.52 million out of the Unappropriated profit of the Company for the issuance of 28,951,571 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 21, 2014.

By Order of the Board

Karachi
April 07, 2014

SHAHID MUSTAFA QURESHI
Director / Company Secretary

[Notice of the AGM and Statement as required by Section 160(1) (b) of the Companies Ordinance, 1984, in respect of the special business to be considered at the meeting is being sent to the Members with the Annual Report and Financial Statements 2013].

Notes:

1. The individual Members who have not yet submitted photostate 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 21, 2014 to April 28, 2014 (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. Society, Main Shahrah-e-Faisal, Karachi at the close of business on April 18, 2014 (Friday) 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

B – 63, 65,
Estate Avenue,
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

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 Monday, April 28, 2014 and at any adjournment thereof.

As witness my/our hand(s) this _____ day of ______________ 2014.

Signed in the presence of:

Ten Rupees Revenue Stamp

(Signature of Witness 1)	(Signature of Witness 2)
Name of Witness:	Name of Witness:
CNIC No.: ☐☐☐☐☐ - ☐☐☐☐☐☐☐ - ☐	CNIC No.: ☐☐☐☐☐ - ☐☐☐☐☐☐☐ - ☐
Address:	Address:

(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) alongwith 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

Glossary

TERM	DEFINITION
AMP	African Malaria Partnership
AO	Assessing Officer
BPH	Benign Prostatic Hyperplasia
CFC	Chlorofluorocarbon
CFC	Concern for Children
CHC	Consumer Health Care
CIRA	Commissioner of Inland Revenue (Appeals)
COPD	Chronic Obstructive Pulmonary Disease
CRM	Customer Relationship Management
CSR	Corporate Social Responsibility
Cx	Consumer
EBIT	Earnings Before Interest and Taxation
EBITDA	Earnings Before Interest, Taxation, Depreciation and Amortization
EHS	Environment, Health and Safety
EMAP	Emerging Markets & Asia Pacific
EPS	Earnings Per Share
FLP	Future Leaders Programme
FLLE	First Line Leader Experience
GLP	Glucagon-like Peptide
GMS	Global Manufacturing and Supply
GSK	GlaxoSmithKline
GSKP	GlaxoSmithKline Pakistan
HCP	Healthcare Professional
HFA	Hydrofluoroalkanes
HMM	Harvard Manage Mentor
HR	Human Resources
IAS	International Accounting Standards
ICAP	Institute of Chartered Accountants Pakistan
ICMAP	Institute of Cost and Management Accountants Pakistan
ICS	Inhaled Corticosteroid
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
IPR	Intellectual Property Rights
IT	Information Technology
ITAT	Income Tax Appellate Tribunal
KIBOR	Karachi Interbank Offer Rate
LABA	Long-acting beta-adrenoceptor agonist
LDC	Lesser Developed Countries
MCH	Mother-Child Health Center
NBFC	Non-Bank Financial Companies
NBV	Net Book Value
NGO	Non Government Organization
NTD	Neglected Tropical Diseases
OH	Occupational Health
OCI	Other Comprehensive Income
PMSA	Pakistan Maritime Security Agency
QMS	Quality Management System
R&D	Research and Development
Rx	Pharma
SLIC	State life Insurance Corporation
SKU	Stock Keeping Unit
T-Bill	Treasury Bill
WPD	World Pneumonia Day
ZAP	Zero-Accident Promotion

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.