KARACHI STOCK EXCHANGE LIMITED

KSE/N-5263 **N O T I C E** **October 20, 2015**

Reproduced hereunder letter received from **GLAXOSMITHKLINE PAKISTAN LIMITED,** for information of TRE Certificate Holders of the Exchange.

Complete Details of Scheme of Arrangement for De-merger is available on KSE Website.

(Copy of the same is also available on our Website www.kse.com.pk).

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GlaxoSmithKline Pakistan Limited
35-Dockyard Road,
West Wharf,
Karachi - 74000,
Pakistan
UAN +92 21 111 475 725
Fax +92 21 3231 4898
www.gsk.com.pk

15 October 2015

Mr Muhammad Ghufran
Deputy General Manager Operations
Karachi Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road
Karachi

Dear Sir,

Re: **Material Information – Scheme of Arrangement for de-merger of GlaxoSmithKline Pakistan Limited through separation of all the assets and liabilities of Consumer Healthcare Business into GlaxoSmithKline Consumer Healthcare Pakistan Limited pursuant to the Scheme of Arrangement under Section 284 to 287 of the Companies Ordinance, 1984**

We write with reference to your letter no. KSE/C-49-7018 (the "**Letter**") dated August 26, 2015 in response to our letter dated August 25, 2015 in respect of the abovementioned matter. Copies of the letters are enclosed herewith for your reference.

As directed in the Letter, please find enclosed herewith the following documents:

(i) Draft Scheme of Arrangement for the demerger of GlaxoSmithKline Pakistan Limited by the separation of its Consumer Healthcare Business into GlaxoSmithKline Consumer Healthcare Limited.

(ii) Valuation report of the swap ratio prepared by Deloitte Yousuf Adil, Chartered Accountants (member of Deloitte Touche Tohmatsu Limited), dated August 25, 2015.

(iii) Special Purpose Balance Sheets audited by A.F Ferguson & Co. Chartered Accountants (member firm of PwC network), dated August 25, 2015.

We further inform the Karachi Stock Exchange ("**KSE**") that the High Court of Sindh at Karachi has been pleased to pass the following Order dated October 2, 2015:

(i) Order to call for the meeting of the shareholders to approve the Scheme of Arrangement for the demerger GlaxoSmithKline Pakistan Limited through separation of its Consumer Healthcare Business into GlaxoSmithKline Consumer Healthcare Pakistan Limited pursuant to the Scheme of Arrangement under section 284 to 287 of the Companies Ordinance, 1984.

Accordingly, as directed in paragraphs (1), (2) and (3) of the Letter, we will submit to KSE (a) 200 copies of the Scheme of Arrangement, (b) certified true copy of the Resolution passed by the shareholders of the Company, and (c) certified true copy of the Court Order, sanctioning the Scheme of Arrangement for de-merger of GlaxoSmithKline Pakistan Limited, once the requisite Resolution has been passed by the shareholders at a meeting to be convened under the supervision of the court, and the High Court of Sindh at Karachi has passed an Order sanctioning the Scheme of Arrangement for the de-merger of GlaxoSmithKline Pakistan Limited.

In this regard, you may be pleased to inform the members of the Exchange accordingly.

Yours faithfully,

For and on behalf of
GlaxoSmithKline Pakistan Limited

Syed Azeem Abbas Naqvi
Company Secretary

c.c. **Managing Director**
Karachi Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road
Karachi

The Director (Capital Issues)
Securities and Exchange Commission of Pakistan
NIC Building, Jinnah Avenue, Blue Area
Islamabad

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SCHEME OF ARRANGEMENT

UNDER SECTION 284 to 288 OF THE COMPANIES ORDINANCE, 1984

BETWEEN

GLAXOSMITHKLINE PAKISTAN LIMITED

AND

GLAXOSMITHKLINE CONSUMER HEALTHCARE PAKISTAN LIMITED

PART I

1. **INTRODUCTION**

(a) **GLAXOSMITHKLINE PAKISTAN LIMITED** (hereinafter referred to as "**GSK Pakistan**") is a public company limited by shares, incorporated under the provisions of the Companies Ordinance, 1984, with its registered office situated at 35 – Dockyard Road, West Wharf, Karachi 74000, and is listed on the Karachi Stock Exchange and Lahore Stock Exchange.

The principal business of GSK Pakistan is the production, manufacturing, sale and marketing of pharmaceutical and related products.

The authorised share capital of GSK Pakistan is PKR 5,000,000,000 (Pak Rupees Five Billion) divided into 500,000,000 (Five Hundred Million) shares of PKR 10 (Pak Rupees Ten) each, each of which 318,467,278 (Three Hundred Eighteen Million Four Hundred Sixty-Seven Thousand Two Hundred Seventy-Eight) ordinary shares of the aggregate nominal value of PKR 10 (Pak Rupees Ten) are issued and fully paid and the remainder are unissued.

(b) **GLAXOSMITHKLINE CONSUMER HEALTHCARE PAKISTAN LIMITED** (hereinafter referred to as "**GSK CH Pakistan**") was incorporated as a public unlisted company under the provisions of the Companies Ordinance, 1984 on March 31, 2015, with its registered office situated at 35 – Dockyard Road, West Wharf, Karachi 74000.

The initial authorised share capital of GSK CH Pakistan is PKR 100,000 (Pak Rupees One Hundred Thousand) divided into 10,000 (Ten Thousand) shares of PKR 10 ten (Pak Rupees Ten) each, each of which three (3) ordinary shares are issued and fully paid and the remainder are unissued.

GSK CH Pakistan has never traded and has no assets and liabilities other than those resulting from its incorporation and issued share capital. GSK CH Pakistan intends to be listed on the Karachi and Lahore Stock Exchanges.

(c) This Scheme of Arrangement (the "**Scheme**") provides for the reconstruction of GSK Pakistan by separating its Consumer Healthcare Business (as defined below) inclusive of all assets, rights, liabilities, quotas and obligations pertaining thereto, and vesting the Consumer Healthcare Business in GSK CH Pakistan as subsisting on the Effective Date, in the manner provided for in this Scheme and pursuant to the provisions of section 284 to 288 of the Companies Ordinance, 1984; and in exchange for which shares will be issued by GSK CH Pakistan to the shareholders of GSK Pakistan.

2. **Object and Rationale of the Scheme of Arrangement**

(a) The principal object of this Scheme is to provide for the reconstruction of GSK Pakistan by:

(i) the separation of its Consumer Healthcare Business inclusive of all assets, rights, liabilities and obligations pertaining thereto as specified in Part II of this Scheme; and

(ii) the transfer of and vesting in GSK CH Pakistan its Consumer Healthcare Business in exchange for which shares will be issued by GSK CH Pakistan to the shareholders of GSK Pakistan as specified in Part II, Section C of this Scheme.

(b) The rationale for transfer of GSK Pakistan's Consumer Healthcare Business pursuant to this Scheme is as follows:

(i) The business operations of GSK Pakistan includes a pharmaceutical products division covering anti-infectives, central nervous system, respiratory, gastro-intestinal/metabolic and vaccines products and a consumer healthcare division comprising of oral healthcare products, nutritional drinks and over the counter medicines. The nature of research and development, technology, risk and competition involved in each of GSK Pakistan's business divisions is distinct from one another. Consequently, each business division is capable of addressing independent business opportunities. Hence, as part of an overall business reorganization plan, it is considered desirable and expedient to reconstruct GSK Pakistan in the manner and on the terms and conditions as contained in this Scheme.

(ii) The separation of GSK Pakistan's Consumer Healthcare Business and its transfer and vesting into GSK CH Pakistan is likely to enable the business activities relating to the Consumer Healthcare Business to be pursued and carried on with greater focus and attention through two separate companies, each having its own business focus and adoption of strategies necessary for the growth of the respective businesses.

(iii) The demerger seeks to create a new platform for independent growth in a more focused manner of the consumer healthcare division, while allowing GSK Pakistan to concentrate on its growth efforts in the pharmaceutical products division, thereby *inter alia* strengthening each company's market leadership.

(iv) Pursuant to the issue and allotment of shares in terms of this Scheme, the shareholders of GSK Pakistan shall hold shares in two companies, i.e. in GSK Pakistan and in GSK CH Pakistan. This gives the shareholders the ability to continue to remain invested in both or either of the two companies giving them greater flexibility in managing their investments

3. **Parts of the Scheme**

The Scheme is divided into the following parts:

(a) Part I, which deals with the introduction and definitions;

(b) Part II, which deals with the Demerger of the demerged Consumer Healthcare Business from GSK Pakistan to GSK CH Pakistan; and

(c) Part III, which deals with the general terms and conditions applicable to Part II of the Scheme.

4. **Definitions**

In this Scheme, unless the subject or context otherwise requires, the following terms stated herein shall have the meanings assigned thereto:

(a) **"Completion Date"** means the date on which this Scheme becomes operative as of the Effective Date by submitting Order of the Court sanctioning the Scheme with the Registrar of Companies, Karachi;

(b) **"Consumer Healthcare Business"** means the business comprising all assets, rights, liabilities, quotas and obligations of the consumer healthcare business of GSK Pakistan, as subsisting on the Effective Date more particularly described in Part II of this Scheme;

(c) **"Court"** means the High Court of Sindh or any other court of competent jurisdiction for the time being having jurisdiction under Sections 284 to 288 of the Companies Ordinance 1984 in connection with this Scheme;

(d) **"Demerger"** means the separation and transfer by way of demerger of the Consumer Healthcare Business of GSK Pakistan to GSK CH Pakistan;

(e) **"Effective Date"** means 1st day of April 2015;

(f) **"Record Date"** means the date to be fixed by the Board of Directors of GSK Pakistan for the purpose of determining the shareholders of GSK Pakistan to whom new shares in GSK CH Pakistan shall be allotted pursuant paragraph 9 of this Scheme;

(g) **"Scheme"** means this Scheme of Arrangement in its present form with any modification thereof or addition thereto approved by the Court;

(h) **"Shares"** means the ordinary shares of PKR 10 (Pak Rupees Ten) each in the share capital of GSK CH Pakistan to be allotted and issued pursuant to this Scheme;

(i) **"Special Purpose Balance Sheets"** means the balance sheets prepared in accordance with the accounting standards accepted in Pakistan to determine the value of GSK Pakistan's Consumer Healthcare Business as at March 31, 2015, attached as *Annex 1* in this Scheme.

5. **Share Capital**

(a) The share capital structure of GSK Pakistan as on March 31, 2015 is as follows:

<u>Authorised</u>	<u>PKR</u>
500,000,000 shares of PKR 10 each	5,000,000,000

(iv) To the extent the same relates to the Consumer Healthcare Business, all contracts which remain in whole or in part to be performed at the Completion Date entered into by or subsisting in favour of GSK Pakistan, inclusive of all rights and obligations of GSK Pakistan arising thereunder;

(v) To the extent the same relates to the Consumer Healthcare Business, all agreements, engagements, commitments and arrangements entered into by or subsisting in favour of GSK Pakistan, inclusive of all rights and obligations of GSK Pakistan arising thereunder;

(vi) To the extent the same relates to the Consumer Healthcare Business, all historical and current documents, customers lists, product and supplier lists, catalogues, literature, documents of title, sales statistics, market share statistics, marketing surveys and reports, marketing research and any advertising or other promotional materials and accounting (including management account records) and other financial data whether in hard copy or in computer held form (including, for avoidance of doubt, such media as microfilm and microfiche);

(vii) To the extent the same relates to the Consumer Healthcare Business, all claims book trade and other debts or sums (including suppliers credit notes) due, owing, accrued or payable to GSK Pakistan (whether or not immediately due or payable), advances, and deposits.

(b) All rights, titles and interest of GSK Pakistan in any patents, trademarks, service marks, designs, copyrights and inventions used exclusively or primarily in the Consumer Healthcare Business, including, without limitation, any licenses (inclusive of the benefits and burdens of such licenses) for the same, and any applications or the rights to apply for protection or registration of any of the same having an effective filing date or priority date on or earlier than the Completion Date, and any continuing, reissue, divisional and re-examination patent application;

(c) All rights, titles and interest of GSK Pakistan in technical data and know-how, industrial and technical information, trade secrets, secret processes, confidential information, drawings, formulations, technical reports operating and testing procedures, instruction manuals, raw material or production specifications, the results of research and development work, whether in hard copy or in computer held form (including, for the avoidance of doubt, such media as microfilm and microfiche) and existing computer software used in the Consumer Healthcare Business;

(d) All liabilities and obligations of GSK Pakistan relating exclusively or primarily to the Consumer Healthcare Business;

(e) All amounts owing (whether or not due for payment) or payable by GSK Pakistan and which are unpaid at the Completion Date in respect of the supply of goods, raw materials and services to the extent arising exclusively or primarily in the ordinary course of business in relation to, or in connection with or from the operations of the Consumer Healthcare Business;

(f) Cash in the bank in the aggregate amount of PKR 178.817 million (Pak Rupees One Hundred Seventy-Eight Million Eight Hundred and Seventeen Thousand);

(g) All other rights, powers, authorities and privileges of GSK Pakistan relating exclusively or primarily to the Consumer Healthcare Business, including, without limitation;

(i) All registrations, licences, permits, marketing authorization rights, sanctions, permissions and approvals issued or granted by the government, governmental department or agency, or any statutory, local or regulatory authority or any municipal corporation to GSK Pakistan;

(ii) All concessions, entitlements duty and tax exemptions and remissions; and

(iii) Rights against third parties (including sub-contracts and any retention of title rights).

(h) Any suits, actions, arbitrations, charges, governmental investigations, claims, litigation or proceedings, costs, demands and expenses relating to paragraphs (d) to (e) above.

Section B Transactions between the Effective Date and the Completion Date

8. The separation of the Consumer Healthcare Business from GSK Pakistan and its transfer to and vesting in GSK CH Pakistan, in accordance with the terms and conditions of this Scheme shall be treated as having taken effect from the Effective Date, and as from that time and until the Completion Date the Consumer Healthcare Business shall be deemed to have been carried on for and on account of and in trust for GSK CH Pakistan and all profits and losses accruing or arising to or incurred by GSK Pakistan (including any taxes paid or deducted or withheld) through the operation of the Consumer Healthcare Business from the Effective Date shall be treated as the profits or losses (including any taxes paid or deducted or withheld), as the case may be, of GSK CH Pakistan.

Section C Determination of Consumer Healthcare Business

9. The properties, assets, rights, liabilities and obligations comprised in the Consumer Healthcare Business have been determined and identified, and their carrying values as at March 31, 2015 have been ascertained and reflected, by GSK Pakistan in the Special Purpose Balance Sheets as of March 31, 2015 as audited by A. F. Ferguson & Co., Chartered Accountants. The Special Purpose Balance Sheets, attached hereto as *Annex 1* has been prepared in accordance with the accounting standards accepted in Pakistan and include the notes thereto setting out the methodology and assumptions used in their preparation and for identifying the properties, rights, liabilities and obligations of GSK Pakistan relating to the Consumer Healthcare Business.

Section D Issues of Shares and Share Capital

10. Upon the Scheme becoming operative and in consideration of the demerger and transfer of the Consumer Healthcare Business to GSK CH Pakistan, GSK CH

Pakistan shall without any further application, issue and allot shares, credited as fully paid-up, to the shareholders of GSK Pakistan whose names appear in the register of members of GSK Pakistan as on the Record Date or to such of their respective heirs, executors, administrators or other legal representatives or other successors in title as may be recognized by the respective Board of Directors in the following proportion:

(a) 95,540,183 (Ninety-Five Million Five Hundred Forty Thousand One Hundred Eighty-Three) fully paid up shares of PKR 10 (Pak Rupees Ten) each of GSK CH Pakistan shall be issued and allotted for every ten (10) fully paid up shares of PKR 10 (Pak Rupees Ten) each held in GSK Pakistan as determined by Deloitte Yousuf Adil, Chartered Accountants vide letter dated August 25, 2015.

11. GSK Pakistan shall reduce its capital reserves ('reserve arising on amalgamation') against the book value of the net assets transferred into GSK CH Pakistan, as appearing in the Special Purpose Balance Sheets, prepared for this purpose dated March 31, 2015.

12. As part of the separation of the Consumer Healthcare Business from GSK Pakistan and the transfer to and vesting thereof in GSK CH Pakistan in accordance with this Scheme, the share capital of GSK Pakistan shall remain intact, and there shall be no change in the capital structure of GSK Pakistan.

13. The allotment of Shares in terms of this Scheme shall be made within ninety (90) days from the Completion Date.

14. In the event the allotment of Shares results in fractional entitlement of shares in GSK CH Pakistan, GSK CH Pakistan shall not issue fractional shares to such shareholders of GSK Pakistan under the approved Scheme.

Section E Discharges of Liabilities of GSK Pakistan by GSK CH Pakistan

15. All contracts, agreements, commitments, engagements and arrangements, grants, instruments of transfer, rights, powers, authorities, and privileges entered into by or subsisting in favour of GSK Pakistan and comprised in the Consumer Healthcare Business upon being transferred to and vested in GSK CH Pakistan, shall remain in full force and effect as if originally entered into by or granted in favour of GSK CH Pakistan instead of GSK Pakistan and GSK CH Pakistan may enforce all rights and shall perform all obligations and discharge all liabilities arising thereunder accordingly.

16. The debts, liabilities and obligations of GSK Pakistan comprised in the Consumer Healthcare Business upon being transferred to and vested in GSK CH Pakistan shall be treated as the debt, liabilities and obligations of GSK CH Pakistan as if originally incurred by GSK CH Pakistan instead of GSK Pakistan and GSK CH Pakistan shall pay and discharge all such debts and liabilities and shall perform all such obligations accordingly.

17. On and from the Completion Date, GSK Pakistan shall stand released and discharged from all obligations to pay and discharge all debts and liabilities and to perform all obligations transferred to and vested in GSK CH Pakistan under this Scheme.

18. In regard of any debts and liabilities transferred to and vested in GSK CH Pakistan in respect of which the creditors concerned were provided a security interest over the assets being retained by GSK Pakistan under this Scheme, the securities so held by such creditors shall on and from the Completion Date stand released by them to the extent and for the purposes of this debts and liabilities and such securities shall be substituted by securities of a similar nature which GSK CH Pakistan shall provide over the assets of GSK CH Pakistan.

19. All suits, appeals, arbitrations, governmental investigations and other legal proceedings instituted by or against GSK Pakistan exclusively relating to the Consumer Healthcare Business pending on or immediately before the Completion Date with any court, tribunal, regulatory body or any other authority shall be treated as suits, appeals and legal proceedings by or against GSK CH Pakistan and may be continued, prosecuted and enforced by or against GSK CH Pakistan accordingly.

20. The debts and liabilities and the obligations of GSK Pakistan, except those forming part of the Consumer Healthcare Business and transferred to and vested in GSK CH Pakistan, in accordance with the terms of this Scheme shall remain the debts and liabilities of GSK Pakistan, and all the debts and liabilities aforesaid shall be paid and all such obligations as aforesaid shall be performed by GSK Pakistan accordingly.

PART III OTHER TERMS AND CONDITIONS

Section A Application to the High Court of Sindh

21. GSK Pakistan and GSK CH Pakistan shall jointly, with all reasonable steps, make necessary applications to the Court for sanction and carrying out of this Scheme. GSK Pakistan and GSK CH Pakistan shall also take such other steps, as may be necessary or expedient to give full and formal effect to the provisions of this Scheme.

Section B Modification and Implementation

22. If any part of this Scheme is found to be unworkable for any reason whatsoever, the same shall not, subject to the decision of GSK Pakistan and GSK CH Pakistan, affect the validity and implementation of the other parts or provisions of this Scheme. The boards of directors of GSK Pakistan and GSK CH Pakistan may consent from time to time on behalf of all concerned to any modifications, amendments, substitutions, or additions made to this Scheme or to any conditions, which the Court may deem fit to order, approve or direct.

Section C Conditionality of the Scheme

23. This Scheme is conditional upon and subject to sanction of the Court pursuant to section 284 to 288 of the Companies Ordinance, and may be sanctioned in its present form or with any modification or addition as the Court may approve and this Scheme with such modification or addition if any is also subject to any conditions, which the Court may impose.

Section D Operation of the Scheme

24. This Scheme shall become operative as soon as a certified copy of an order or orders of the Court under Section 284 to 288 of the Companies Ordinance, 1984 sanctioning this Scheme is filed with the Registrar of Companies, Karachi. Unless this scheme shall have become operative as aforesaid on such later date (if any) as the Court may allow, this Scheme shall not become operative.

Section E Costs

25. GSK Pakistan and GSK CH Pakistan shall bear its own costs, charges and expenses including stamp duties arising out of or incurred in carrying out and implementing this Scheme and matters incidental thereto.

Annex 1

Special Purpose Balance Sheets of GSK Pakistan and GSK CH Pakistan

Deloitte.

Deloitte Yousuf Adil
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Shahrah-e-Faisal
Karachi-75350
Pakistan

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FAS/GSK/0438
August 25, 2015

Mr. Salman Burney
Chief Executive Officer
GlaxoSmithKline Pakistan Limited
35- Dockyard Road, West Wharf
Karachi.

Dear Sir,

Computation of Proposed Share Issue by GSK CH Pakistan to the shareholders of GSK Pakistan under the Scheme of Arrangement under section 284 to 288 of the Companies Ordinance, 1984.

This is in continuation to our letter reference FAS/GSK/0292 dated August 24, 2015 which was considered by the Board of Directors of GlaxoSmithKline Pakistan Limited ("GSK Pakistan") and GlaxoSmithKline Consumer Healthcare Pakistan Limited ("GSK CH Pakistan"), respectively, in their meetings held on August 25, 2015.

Subsequent to the aforesaid meetings, we were provided with the certified copies of the Board Resolutions of GSK Pakistan and GSK CH Pakistan approving the following:

1. Scheme of Arrangement under section 284 to 288 of the Companies Ordinance, 1984 ("the scheme") between GSK Pakistan and GSK CH Pakistan;

2. The Special Purpose Balance Sheets of Undertakings as at March 31, 2015, together with the statutory auditors' report thereon duly signed by them, dated August 25, 2015.

Based on the above, we hereby confirm the following:

1. **Determination of Share Issue Ratio**

1.1. Based on the special purpose balance sheets of undertakings referred above the allocation of the net assets between consumer healthcare division and the remaining undertakings of GSK Pakistan is as follows:

Description	PKR '000
Net Assets of Consumer Healthcare Division	955,402
Net Assets of the Remaining Undertakings	11,504,291
Total Net Assets of GSK Pakistan as at March 31, 2015	**12,459,693**

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1.2. The total net assets of the consumer healthcare division when compared with the issued, subscribed and paid up capital of GSK Pakistan, as at March 31, 2015 works out to 30%, as indicated in the following table:

Description	PKR'000	%
Issued, Subscribed & Paid up Capital of GSK Pakistan	3,184,672	100.0%
Net Assets of Consumer Healthcare Division	955,402	30.0%

1.3. As reflected in the table above, GSK CH Pakistan will issue shares equal to PKR 955,402 thousand to the shareholders of GSK Pakistan in consideration of net assets received for the same amount, subject to the approval of the board of directors and shareholders of the respective companies as well as sanction of the scheme from the Honorable High Court of Sindh. ***Thus, 3 shares of GSK CH Pakistan will be issued to every shareholder of GSK Pakistan for every 10 shares held by them, as per the scheme.***

2. **Caveats**

2.1. The above share issue ratio has been approved by the Board of Directors of GSK Pakistan and GSK CH Pakistan, however, it is yet to be approved by the shareholders of both the companies, along with the scheme.

2.2. This letter has been issued on the request of GSK Pakistan and is solely for this transaction and for your information purposes only. It should not be used for any other purpose or provided to any third party without our prior written consent.

2.3. The procedures performed by us for issuing this letter, do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, therefore, we do not, hereby, express an opinion or other form of assurance.

2.4. We have no responsibility to update this letter for events and circumstances occurring after the date of this letter.

Yours truly,

Deloitte Yousuf Adil

Chartered Accountants

pwc

A. F. FERGUSON & CO.

Mr. Abdul Samad
Director Finance
GlaxoSmithKline Pakistan Limited
35 – Dockyard Road
West Wharf
Karachi – 74000

August 25, 2015

Our reference: ASR 0231

Dear Sir

SPECIAL PURPOSE BALANCE SHEETS OF UNDERTAKINGS AS AT MARCH 31, 2015

We enclose one copy of the above Special Purpose Balance Sheets of Undertakings of the Company together with our signed report thereon.

Yours truly

encl

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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GLAXOSMITHKLINE PAKISTAN LIMITED

SPECIAL PURPOSE BALANCE SHEETS
OF UNDERTAKINGS AS AT
MARCH 31, 2015

A. F. FERGUSON & CO.

Chartered Accountants
a member firm of the PwC network

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GLAXOSMITHKLINE PAKISTAN LIMITED

SPECIAL PURPOSE BALANCE SHEETS OF UNDERTAKINGS AS AT MARCH 31, 2015

INDEPENDENT AUDITORS' REPORT

Board of Directors of GlaxoSmithKline Pakistan Limited (GSK)

We have audited the accompanying Special Purpose Balance Sheets of Undertakings of GSK as at March 31, 2015 together with the notes thereon (together "Special Purpose Balance Sheets of Undertakings").

Management's Responsibility for the Special Purpose Balance Sheets of Undertakings

Management is responsible for the preparation and presentation of the Special Purpose Balance Sheets of Undertakings in accordance with the basis of preparation mentioned in note 2 to the Special Purpose Balance Sheets of Undertakings, and for such internal control as management determines is necessary to enable the preparation of the Special Purpose Balance Sheets of Undertakings that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the Special Purpose Balance Sheets of Undertakings based on our audit. We conducted our audit in accordance with International Standards on Auditing as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Special Purpose Balance Sheets of Undertakings is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Special Purpose Balance Sheets of Undertakings. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Special Purpose Balance Sheets of Undertakings, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the Special Purpose Balance Sheets of Undertakings in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by management, as well as evaluating the overall presentation of the Special Purpose Balance Sheets of Undertakings.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Special Purpose Balance Sheets of Undertakings is prepared, in all material respects, in accordance with the basis of preparation mentioned in note 2 to the Special Purpose Balance Sheets of Undertakings.

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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A. F. FERGUSON & CO.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to note 2 to the Special Purpose Balance Sheets of Undertakings, which describes the basis of accounting and the fact that the undertakings are not operated as separate entities. The Special Purpose Balance Sheets of Undertakings has been prepared only to determine Consumer Healthcare Division and Remaining Undertakings of GSK in accordance with the Scheme of Arrangement (the Scheme). As a result, the Special Purpose Balance Sheets of Undertakings and our report thereon may not be suitable for another purpose. Our report is intended solely for the use of the Board of Directors of GSK in connection with the Scheme and should not be used by parties other than the Board of Directors of GSK.

The Special Purpose Balance Sheets of Undertakings does not comprise a full set of financial statements prepared in accordance with the approved accounting standards as applicable in Pakistan.

Chartered Accountants
Karachi

Dated: August 25, 2015

Name of Engagement Partner: Mohammad Zulfikar Akhtar

GLAXOSMITHKLINE PAKISTAN LIMITED

SPECIAL PURPOSE BALANCE SHEETS OF UNDERTAKINGS

AS AT MARCH 31, 2015

	Note	Consumer Healthcare Division	Remaining Undertakings	Total
		←	Rupees '000	→
ASSETS				
NON-CURRENT ASSETS				
Fixed assets	3	27,176	6,722,991	6,750,167
Intangibles	4	-	996,072	996,072
Deferred taxation	15	24,879	-	24,879
Long-term loans to employees	5	-	65,718	65,718
Long-term deposits		-	21,955	21,955
		52,055	7,806,736	7,858,791
CURRENT ASSETS				
Stores and spares	6	-	168,499	168,499
Stock-in-trade	7	1,496,016	4,977,228	6,473,244
Trade debts	8	126,771	336,660	463,431
Loans and advances	9	86,527	352,723	439,250
Trade deposits and prepayments	10	-	322,529	322,529
Interest accrued		-	7,687	7,687
Refunds due from government	11	-	52,825	52,825
Other receivables	12	-	253,121	253,121
Taxation - payments less provision		-	717,974	717,974
Investments		-	483,200	483,200
Cash and bank balances	13	178,817	2,150,095	2,328,912
		1,888,131	9,822,541	11,710,672
Non-current assets classified as held for sale		-	27,147	27,147
TOTAL ASSETS		1,940,186	17,656,424	19,596,610
LESS: LIABILITIES				
NON-CURRENT LIABILITIES				
Staff retirement benefits	14	-	395,180	395,180
Deferred taxation	15	-	583,234	583,234
		-	978,414	978,414
CURRENT LIABILITIES				
Trade and other payables	16	984,784	4,989,924	5,974,708
Provisions	17	-	183,795	183,795
		984,784	5,173,719	6,158,503
CONTINGENCIES AND COMMITMENTS	18			
TOTAL LIABILITIES		984,784	6,152,133	7,136,917
NET ASSETS		955,402	11,504,291	12,459,693
REPRESENTED BY:				
Issued, subscribed and paid-up share capital				
318,467,278 Ordinary shares of Rs. 10 each				3,184,672
Reserves	19			9,275,021
				12,459,693

The annexed notes 1 to 20 form an integral part of this special purpose balance sheet.

Chief Executive

Director

GLAXOSMITHKLINE PAKISTAN LIMITED

NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE BALANCE SHEETS OF UNDERTAKINGS AS AT MARCH 31, 2015

1. INTRODUCTION

1.1 GlaxoSmithKline Pakistan Limited (the Company) was 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.

1.2 On April 22, 2014, GlaxoSmithKline plc, UK (GSK plc) announced a major global three-part inter-conditional transaction with Novartis AG, Switzerland (Novartis) whereby GSK plc and Novartis will work to create a new world-leading Consumer Healthcare Business with GSK plc holding a controlling equity interest of 63.5%. The Board of Directors of the Company on February 25, 2015 in their meeting held decided in principle for the demerger of the Consumer Healthcare Business.

1.3 In their meeting held on August 25, 2015, the Board of Directors of the Company approved a Scheme of Arrangements and Reconstruction of the Company (the Scheme). Under the Scheme, the Consumer Healthcare Division (defined in the Scheme as Consumer Healthcare Business) of the Company is to be de-merged and transferred to and vested into GlaxoSmithKline Consumer Healthcare Pakistan Limited (GSK CH Pakistan) effective April 1, 2015.

1.4 These Special Purpose Balance Sheets of Undertakings have been prepared under Section C of Part II of the Scheme for identification and determination of the carrying values of the assets, rights, liabilities and obligations comprised in the Consumer Healthcare Division as at March 31, 2015 and those of the remaining undertakings of the Company (Remaining Undertakings) in accordance with the Scheme.

1.5 The Consumer Healthcare Division and Remaining Undertakings are not presently operated as separate entities.

2. BASIS OF PREPARATION

2.1 The Special Purpose Balance Sheets of Undertakings have been prepared in accordance with:

A. the approved accounting standards as applicable in Pakistan in so far as they related to the recognition and measurement criteria but without incorporating presentation requirements of "Non-Current Assets Held for Sale and Discontinued Operation" (IFRS 5) in respect of Consumer Healthcare Division, the corresponding figures and disclosure requirements; and using the same accounting policies as used for the preparation of the latest audited financial statements of the Company for the year ended December 31, 2014.

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.

B. provisions of the Scheme whereunder the assets, rights, liabilities and obligations as at March 31, 2015:

a. comprised in the Consumer Healthcare Division have been determined as follows:

(i) Vehicles, computers and related equipment, and items of machinery at third party manufacturing facilities wholly and principally in use by the Consumer Healthcare Division have been separately identified as assets of Consumer Healthcare Division.

(ii) Inventory of finished goods relating to the Consumer Healthcare Division have been separately identified as assets of Consumer Healthcare Division.

(iii) Inventory of raw materials, work in progress, ingredients and packaging material of the Consumer Healthcare Division have been separately identified as assets of Consumer Healthcare Division.

(iv) Amounts receivable from parties to whom exclusively or principally only products of Consumer Healthcare Division are sold have been separately identified as assets of Consumer Healthcare Division.

(v) Advances to suppliers in respect of the Consumer Healthcare Division have been separately identified as assets of Consumer Healthcare Division.

(vi) Amounts payable to suppliers, and amounts received in advance from customers, in respect of purchase of inventory items as mentioned in (ii) and (iii) above, and sale of inventory as mentioned in (ii) above have been separately identified as liabilities of Consumer Healthcare Division.

(vii) In respect of freight payable, the amount worked out as the proportion of total amount payable by the Company in this respect based on sales of the Consumer Healthcare Division made by the Company and the total sales made by the Company for the three months period ended on March 31, 2015 has been identified as the liability of Consumer Healthcare Division.

(viii) Amount payable in respect of advertisement and other services not specifically mentioned above relating to the Consumer Healthcare Division have been specifically identified as liabilities of Consumer Healthcare Division.

(ix) Deferred taxation consequences relating to the carrying amounts and tax base of the assets and liabilities identified above have been identified as deferred tax assets or liabilities of Consumer Healthcare Division.

(x) Cash and bank balances amounting to Rs. 178.817 million have been taken to be relating to Consumer Healthcare Division.

b. not comprised in the Consumer Healthcare Division have been determined to be comprised in the Remaining Undertakings.

2.2 The Special Purpose Balance Sheets of Undertakings do not comprise a full set of financial statements prepared in accordance with the approved accounting standards as applicable in Pakistan.

	Consumer Healthcare Division	Remaining Undertakings	Total
	Rupees '000		
3. FIXED ASSETS			
Operating assets - note 3.1	27,176	5,280,399	5,307,575
Major spare parts and stand-by equipments	-	59,380	59,380
Capital work-in-progress	-	1,383,212	1,383,212
	27,176	**6,722,991**	**6,750,167**

3.1 Operating assets

	Consumer Healthcare Division			Remaining Undertakings		
	Cost	Accumulated depreciation & impairment	Net book value	Cost	Accumulated depreciation & impairment	Net book value
	Rupees in thousand					
Land - Leasehold	-	-	-	382,676	(37,519)	345,157
Buildings - Leasehold	-	-	-	1,667,645	(366,095)	1,301,550
Plant & machinery	15,282	(10,500)	4,782	4,820,106	(1,948,523)	2,871,583
Furniture & fixtures	-	-	-	272,055	(123,447)	148,608
Vehicles	31,855	(10,082)	21,773	579,856	(238,324)	341,532
Office equipment	2,854	(2,233)	621	636,992	(365,023)	271,969
Total	**49,991**	**(22,815)**	**27,176**	**8,359,330**	**(3,078,931)**	**5,280,399**

	Consumer Healthcare Division	Remaining Undertakings	Total
	Rupees '000		
4. INTANGIBLES			
Goodwill	-	955,742	955,742
Marketing authorisation rights - note 4.1	-	40,330	40,330
	-	996,072	996,072

4.1 During the period, the Company has made a payment of Rs. 40.3 million as consideration in respect of acquiring marketing authorisation rights in relation to Novartis's vaccines business. This is in line with major global three-part inter-conditional transaction between GlaxoSmithKline plc, UK and Novartis AG, Switzerland announced on April 22, 2014 to acquire Novartis's global vaccines business (excluding influenza vaccines).

	Consumer Healthcare Division	Remaining Undertakings	Total
	←	Rupees '000	→
5. LONG-TERM LOANS TO EMPLOYEES			
To executives and other employees	-	113,786	113,786
Recoverable within one year - note 9			
Executives and other employees	-	(48,068)	(48,068)
	-	65,718	65,718
6. STORES AND SPARES			
Stores and spares	-	189,545	189,545
Provision for slow moving and obsolete items	-	(21,046)	(21,046)
	-	168,499	168,499
7. STOCK-IN-TRADE			
Raw and packing materials	644,385	1,860,926	2,505,311
Work-in-process	33,461	490,637	524,098
Finished goods	919,575	2,806,837	3,726,412
	1,597,421	5,158,400	6,755,821
Less: Provision for slow moving, obsolete and damaged items	(101,405)	(181,172)	(282,577)
	1,496,016	4,977,228	6,473,244
8. TRADE DEBTS			
Considered good	126,771	336,660	463,431
Considered doubtful	4,859	61,023	65,882
	131,630	397,683	529,313
Provision for doubtful debts	(4,859)	(61,023)	(65,882)
	126,771	336,660	463,431
9. LOANS AND ADVANCES			
Loans due from employees - note 5	-	48,068	48,068
Advances to employees	-	41,063	41,063
Advances to suppliers			
- considered good	86,527	263,592	350,119
- considered doubtful	14,600	13,089	27,689
	101,127	276,681	377,808
Provision for doubtful advances	(14,600)	(13,089)	(27,689)
	86,527	263,592	350,119
	86,527	352,723	439,250

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		Consumer Healthcare Division	Remaining Undertakings	Total
		←	Rupees '000	→
10.	**TRADE DEPOSITS AND PREPAYMENTS**			
	Trade deposits			
	- considered good	-	131,666	131,666
	- considered doubtful	-	28,832	28,832
		-	160,498	160,498
	Provision for doubtful deposits	-	(28,832)	(28,832)
		-	131,666	131,666
	Prepayments	-	190,863	190,863
		-	322,529	322,529
11.	**REFUNDS DUE FROM GOVERNMENT**			
	Custom duty and sales tax			
	- considered good	-	52,825	52,825
	- considered doubtful	-	18,464	18,464
		-	71,289	71,289
	Provision for doubtful receivables	-	(18,464)	(18,464)
		-	52,825	52,825
12.	**OTHER RECEIVABLES**			
	Due from			
	- Associated companies	-	226,007	226,007
	- BMS Pakistan (Private) Limited Management Staff Pension Fund - note 14.2	-	6,042	6,042
	Others	-	21,072	21,072
		-	253,121	253,121
13.	**CASH AND BANK BALANCES**			
	With banks			
	on deposit accounts	-	1,600,000	1,600,000
	on PLS savings accounts	-	162,613	162,613
	on current accounts	178,817	344,031	522,848
	Cash and cheques in hand	-	43,451	43,451
		178,817	2,150,095	2,328,912

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	Consumer Healthcare Division	Remaining Undertakings	Total
	Rupees '000		
14. STAFF RETIREMENT BENEFITS			
14.1 Gratuity plans / funds			
Present value of defined benefit obligation at March 31	-	1,624,820	1,624,820
Fair value of plan assets at March 31	-	(1,229,640)	(1,229,640)
Deficit	-	395,180	395,180
14.2 Pension plan / fund			
Present value of defined benefit obligation at March 31	-	145,811	145,811
Fair value of plan assets at March 31	-	(151,853)	(151,853)
Surplus	-	(6,042)	(6,042)
15. DEFERRED TAXATION			
Credit balance arising in respect of accelerated tax depreciation allowances	4,447	813,162	817,609
Debit balances arising in respect of:			
- Provision for retirement benefits	-	135,138	135,138
- Provision for doubtful debts and refunds due from government	1,657	27,187	28,844
- Provision for trade deposits and doubtful advances	4,980	14,348	19,328
- Provision for slow moving & obsolete stocks and stores & spares	22,689	53,255	75,944
	29,326	229,928	259,254
	(24,879)	583,234	558,355

	Consumer Healthcare Division	Remaining Undertakings	Total
	←	Rupees '000	→
6. TRADE AND OTHER PAYABLES			
Creditors	216,181	1,726,451	1,942,632
Bills payable	8,070	62,582	70,652
Royalty and technical assistance fee payable	-	566,118	566,118
Accrued liabilities	749,194	1,966,666	2,715,860
Advances from customers	11,339	71,652	82,991
Contractors' retention money	-	6,379	6,379
Taxes deducted at source and payable to statutory authorities	-	61,919	61,919
Workers' Profits Participation Fund	-	46,000	46,000
Workers' Welfare Fund	-	84,573	84,573
Central Research Fund	-	39,720	39,720
Unclaimed dividend	-	53,014	53,014
Dividend payable	-	215,846	215,846
Others	-	89,004	89,004
	984,784	4,989,924	5,974,708

7. PROVISIONS

Balance as at January 1	-	177,536	177,536
Charge for the year	-	7,558	7,558
Payments during the year	-	(1,299)	(1,299)
Balance as at December 31	-	183,795	183,795

7.1 Provisions include restructuring costs and government levies of Rs. 63.55 million and Rs. 120.25 million respectively.

8. CONTINGENCIES AND COMMITMENTS

8.1 Contingencies - Remaining Undertakings

(a) Claims against the Company not acknowledged as debt amount to Rs. 141.92 million as at March 31, 2015 for reinstatement of employees and other cases.

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(b) Income Tax

(i) 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. In 2014, Company's appeals to Commissioner Inland Revenue (Appeals) (CIRA) in respect of its income tax assessments for tax years 2000-01 to 2002-03 have been decided whereby additions to income in respect of certain raw materials have been deleted, resulting in deletion of tax demand to the extent of Rs. 26.8 million. The Company has filed appeal before the Appellate Tribunal Inland Revenue (ATIR) against the additions to income confirmed by the CIRA whereas the department has filed appeal before the Appellate Tribunal Inland Revenue against the additions to income deleted by CIRA.

(ii) 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. In tax years 2005 and 2008, CIRA has granted relief on certain additions made by AO. The company has filed appeal before Appellate Tribunal Inland Revenue against remaining additions on which relief has not been granted by CIRA.

(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.

(v) 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 2001) 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) 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 certain imported raw materials. The Company has filed an appeal with the Commissioner of Inland Revenue (Appeals) (CIRA) in respect of the said matter. The CIRA has deleted the order passed under section 122(5A) of the Ordinance.

(vii) While finalising the assessments of the Company for tax year 2011 (accounting year ended December 31, 2010) the Deputy Commissioner Inland Revenue (DCIR) made additions to income raising tax demands of Rs. 98.64 million on the contention that the Company had allegedly paid excessive amounts on account of royalty, certain imported raw materials and stock written off. The Company filed appeal with the CIRA against the DCIR's order. The CIRA has maintained the additions made by DCIR, against which the company has filed appeal before ATIR.

(viii) As a result of monitoring of withholding tax for the tax year 2012 (accounting year ended December 31, 2011) Deputy Commissioner Inland Revenue (DCIR) issued an order raising tax demand amounting to Rs. 80 million. Such demand had been made on the contention that the Company had not deducted tax @ 20% at the time of making payment on account of meeting and symposia and gifts and giveaways under section 156 of Income Tax Ordinance 2001. The Company had filed an appeal before CIRA against the order of DCIR and during the period CIRA remanded back the order to DCIR to issue a consequential order after allowing the opportunity to the Company and point out the exact default amount and claim which qualify the conditionalities as per provision of section 156. In addition to this, on the Company's appeal the High Court has granted stay against the recovery until the case is heard by Sindh High Court.

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 this, the Company has jointly filed a constitutional petition with M/s Pharmatec Pakistan (Private) Limited (toll manufacturer of the Company) before the Honorable 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 financial statements for sales tax on toll manufacturing charges which estimates to an amount of Rs. 135.10 million.

(ii) In 2014 Commissioner raised a demand of Rs. 36.4 million in respect of few products of Company on the ground that the products are neither medicines nor drugs which are exempt from levy of sales tax (as per SRO 551(I)/2008) etc. Company's appeal is pending with Income Tax Appellate Tribunal.

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.

(d) Other Tax Demands

In December 2014, the Company received demand notice from Deputy Collector of Customs amounting to Rs. 9.48 million relating to short levied custom duty and sales tax on import of raw material. This is due to dispute in correct classification of raw material under Pakistan Customs Tariff (PCT) Code. The Company has filed a petition before the Honorable Sindh High Court. The High Court has issued a stay order and has suspended the operation of the demand notice. The management is confident that the ultimate decision in this case will be in favour of the Company, hence no provision has been made.

8.2 Commitments - Remaining Undertakings

Commitments for capital expenditure outstanding as at March 31, 2015 amounted to Rs. 934.06 million.

9. RESERVES

	Rupees '000
Capital reserve - reserve arising on amalgamation	2,184,238
General reserve	3,999,970
Unappropriated profit	3,090,813
	9,275,021

:0. DATE OF APPROVAL

These financial statements were approved by the Board of Directors of the Company on 25 AUG 2015 .

Chief Executive

Director

Presented on 23/9/15 1
Deputy Registrar (O.S.)

IN THE HIGH COURT OF SINDH AT KARACHI

Original Civil Jurisdiction
Under the Companies Ordinance, 1984

Judicial Miscellaneous Application No. 20 of 2015

In the Matter of the Companies Ordinance, 1984

And

In the Matter of (i) GlaxoSmithKline Pakistan Limited and (ii) GlaxoSmithKline Consumer Healthcare Pakistan Limited under Section 284 to 288 of the Companies Ordinance, 1984

GLAXOSMITHKLINE PAKISTAN LIMITED
a public listed company limited by shares
established and existing under the laws of Islamic Republic of Pakistan
with its registered office situated at
35 Dockyard Road, West Wharf
Karachi .... Petitioner No. 1

GLAXOSMITHKLINE CONSUMER HEALTHCARE PAKISTAN LIMITED
a public company limited by shares
established and existing under the laws of Islamic Republic of Pakistan
with its registered office situated at
35 Dockyard Road, West Wharf
Karachi .... Petitioner No. 2

PETITION UNDER SECTION 284 READ WITH SECTIONS 285 TO 288 OF THE COMPANIES ORDINANCE, 1984

ORDER SHEET
IN THE HIGH COURT OF SINDH, KARACHI
J.M No.20 of 2015

Date	Order with signature of Judge

1.For order on CMA No.206/2015
2.For order on CMA No.203/2015
3.For order on main petition

02.10.2015

Mr. Naveed-ul-Haq advocate for petitioners

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1. Urgency granted.

2. This petition has been filed under Section 284 r/w Section 285 to 288 of the Companies Ordinance, 1984 in which the petitioners have sought the sanction of this court for reconstruction of petitioner No.1 by separating its Consumer Healthcare Business and vesting it in petitioner No.2. It is further stated that Board of Directors have approved the scheme by their resolution and now scheme needs to be approved by the members of the petitioner No.1 and 2 separately. Through this application, the petitioners want to hold separate meetings of their members in terms of para-14 of this application. It is further stated that Chief Executive of the petitioner No.1 and Director of the petitioner No.2 may be appointed Chairman for the meeting of members and submit the report to this court.

Let them hold the meeting of their members and creditors if any and shall submit the report accordingly.

3. Let advertisement of the main petition be published in terms of Rule 76 r/w Rule 19 of the Companies Ordinance, 1997 and also issue notice to the S.E.C.P for their comments. The decision on the main petition shall be subject to the comments if any filed by S.E.C.P regarding the proposed reconstruction.

JUDGE

Aadil Arab

CERTIFIED TO BE TRUE COPY

05/X/2015
ASSISTANT REGISTRAR

05th Oct-15

05-10-2015

05/10/15

05/X/2015
ASSISTANT REGISTRAR