

SmithKline Beecham Research Limited

(Registered number: 229017)

Directors' report and financial statements

for the year ended 31 December 2012

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Registered office address:

980 Great West Road

Brentford

Middlesex

TW8 9GS

England

SmithKline Beecham Research Limited

Directors' report and financial statements

for the year ended 31 December 2012

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SmithKline Beecham Research Limited
(Registered number 229017)

Directors' report for the year ended 31 December 2012

The Directors submit their report and the audited financial statements for the year ended 31 December 2012

Principal activities

The principal activity of SmithKline Beecham Research Limited (the "Company") is the manufacture and supply of pharmaceutical products to GlaxoSmithKline plc and its subsidiaries (the "Group") companies in the Philippines

Review of business

The Company made a profit for the financial year of £6,451,000 (2011 profit of £41,000) The Directors are of the opinion that the current level of activity and the year end financial position are satisfactory and will remain so in the foreseeable future

The profit for the year of £6,451,000 will be transferred to reserves (2011 profit for the year of £41,000 transferred to reserves)

Principal risks and uncertainties

The Directors of the GlaxoSmithKline plc manage the risks of the Group at a group level, rather than at an individual business unit level For this reason, the Company's Directors believe that a discussion of the Group's risks would not be appropriate for an understanding of the development, performance or position of the Company's business The principal risks and uncertainties of the Group, which include those of the Company, are discussed in the Group's 2012 Annual Report which does not form part of this report

Key performance indicators (KPIs)

The Directors of the Group manage the Group's operations on a business sector basis For this reason, the Company's Directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the Company's business The development, performance and position of the Group are discussed in the Group's 2012 Annual Report which does not form part of this report

Results and dividends

The Company's results for the financial year are shown in the profit and loss account on page 4

No dividend is proposed to the holders of Ordinary Shares in respect of the year ended 31 December 2012 (2011 £nil)

Branches

SmithKline Beecham Research Limited - Philippines branch

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows

Edinburgh Pharmaceutical Industries Limited
Glaxo Group Limited
Paul Blackburn

No Director had, during the year or at the end of the year, any material interest in any contract of significance to the Company's business with the exception of the Corporate Directors, where such an interest may arise in the ordinary course of business

Directors' indemnity

Each of the Directors benefits from an indemnity given by the Company under its articles of association This indemnity is in respect of liabilities incurred by the Director in the execution and discharge of their duties

SmithKline Beecham Research Limited
(Registered number. 229017)

Directors' report for the year ended 31 December 2012

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

As far as each of the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and the Directors have taken all the steps that ought to have been taken to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

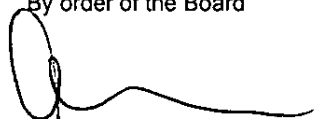
Going concern

The Directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company GlaxoSmithKline plc. The Directors have received confirmation that GlaxoSmithKline plc intend to support the Company for at least one year after these financial statements are signed. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Independent auditors

PricewaterhouseCoopers LLP are deemed to be re-appointed in accordance with an elective resolution made under section 386 of the Companies Act 1985 which continues in force under the Companies Act 2006.

By order of the Board



P Williamson
For and on behalf of Edinburgh Pharmaceutical Industries Limited
Company Secretary
24 July 2013

SmithKline Beecham Research Limited

Independent Auditors' Report to the members of SmithKline Beecham Research Limited

We have audited the financial statements of SmithKline Beecham Research Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 1 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

The Company has passed a resolution in accordance with section 506 of the Companies Act 2006 that the senior statutory auditor's name should not be stated.



PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
24 July 2013

SmithKline Beecham Research Limited

Profit and loss account for the year ended 31 December 2012

	Notes	2012 £000	2011 £000
Turnover	2	5,143	4,386
Cost of sales		(4,314)	(4,025)
Gross profit		829	361
Administrative expenses		(22)	(3)
Other operating (expense)/income	3	(175)	208
Operating profit	4	632	566
Income from shares in Group undertakings	5	6,959	-
Profit before interest and taxation		7,591	566
Interest receivable and similar income	6	8	7
Interest payable and similar charges	7	(425)	(451)
Other finance costs		(53)	(26)
Profit on ordinary activities before taxation		7,121	96
Tax on profit on ordinary activities	8	(670)	(55)
Profit for the financial year		6,451	41

The results disclosed above for both the current year and prior year relate entirely to continuing operations

There is no difference in either the current year or prior year between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents

SmithKline Beecham Research Limited

**Statement of total recognised gains and losses
for the year ended 31 December 2012**

	2012	2011
	£000	£000
Profit for the financial year	6,451	41
Exchange movement on overseas net assets	607	44
Actuarial losses on pension schemes	(341)	(1,170)
Tax effect of actuarial losses on pension schemes	93	309
Total recognised gains and losses relating to the year	6,810	(776)

SmithKline Beecham Research Limited

Balance sheet as at 31 December 2012

	Notes	2012 £000	2011 £000
Fixed assets			
Tangible assets	9	4,457	4,196
Investments	10	15,427	15,088
		19,884	19,284
Current assets			
Debtors	11	47,815	46,843
Investments	12	222	213
Cash at bank and in hand		6,518	3,668
		54,555	50,724
Creditors amounts falling due within one year	13	(58,225)	(60,841)
Net current liabilities		(3,670)	(10,117)
Total assets less current liabilities		16,214	9,167
Provisions for liabilities	14	(193)	(231)
Net assets excluding pension asset		16,021	8,936
Net pension asset	19	44	319
Net assets including pension asset		16,065	9,255
Capital and reserves			
Called up share capital	15	1,616	1,616
Profit and loss account	16	14,449	7,639
Total shareholders' funds	17	16,065	9,255

The financial statements on pages 4 to 16 were approved by the Board of Directors on 24 July 2013 and were signed on its behalf by



Alan Burns
For and on behalf of Edinburgh Pharmaceutical Industries Limited – Director

SmithKline Beecham Research Limited

Notes to the financial statements for the year ended 31 December 2012

1 Accounting policies

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

(a) Basis of accounting

These financial statements have been prepared on the going concern basis under the historical cost convention, the accounting policies set out below, which have been applied consistently and in accordance with the Companies Act 2006 and applicable UK Accounting Standards

(b) Foreign currency transactions

Foreign currency transactions are booked in local currency at the exchange rate ruling on the date of the transaction, or at the forward rate if hedged by a forward foreign exchange contract. Foreign currency monetary assets and liabilities are translated into local currency at rates of exchange ruling at the balance sheet date, or at the forward rate. Exchange differences are included in operating profit.

On consolidation, assets and liabilities of the overseas branch are translated into Sterling at rates of exchange ruling at the balance sheet date. Exchange adjustments arising when the opening net assets and profits for the year retained by the branch are translated into Sterling are recorded in reserves.

(c) Turnover

Revenue is recognised in the profit and loss account when goods or services are supplied to or made available for collection by, external customers or other Group subsidiaries against orders received. Turnover represents the net invoice value after the deduction of discounts given at the point of sale. Value added tax and other sales taxes are excluded from turnover.

(d) Expenditure

Expenditure is recognised in respect of goods and services received when supplied in accordance with contractual terms. Provision is made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated. Advertising expenditure is charged to the profit and loss account as incurred. Shipment costs on inter-company transfers are charged to cost of sales.

(e) Dividends paid and received

Interim dividends paid and received are included in the profit and loss account in the year in which the related dividend is actually paid or received. Final dividends are recorded in the profit and loss account upon shareholder approval.

(f) Retirement benefits

The Philippines branch operates a defined contribution pension scheme, the assets of which are held separately in a trustee administered fund. Contributions to the fund are charged to the profit and loss account as incurred.

The Philippines branch also operates a non-contributory defined benefit scheme based on final pensionable pay and total years of service. The scheme assets are held separately in a trustee administered fund. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the Company.

(g) Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost less provisions for depreciation or impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is calculated to write off the cost of tangible fixed assets, excluding freehold land, in equal annual instalments over their expected useful lives. The normal expected useful lives of the major categories of tangible fixed assets are:

Land and buildings	20 to 50 years
Plant and machinery	3 to 10 years
Motor Vehicles	5 years

Depreciation on assets in construction does not commence until the asset has been completed and is available for use.

On disposal of a tangible fixed asset, the cost and related accumulated depreciation and impairments are removed from the financial statements and the net amount, less any proceeds, is taken to the profit and loss account.

SmithKline Beecham Research Limited

Notes to the financial statements for the year ended 31 December 2012

(h) Fixed asset investments

Fixed asset investments are stated in the balance sheet at cost less any provision made for impairment in value. Such investments are classified as current assets when regarded as available for sale.

(i) Impairment of fixed assets

The carrying values of fixed assets are reviewed for impairment when there is an indication that the assets might be impaired. Any provision for impairment is charged against profit in the year concerned. Impairment is determined by reference to the higher of net realisable value and value in use, which is measured by reference to discounted future cash flows. Any provision for impairment is charged to the profit and loss account.

(j) Leases

All leases are operating leases and the annual rentals are charged against profit on a straight-line basis over the lease term.

(k) Taxation

Current tax is provided at the amounts expected to be paid applying tax rates that have been enacted or substantively enacted at the balance sheet date.

The Company accounts for taxation which is deferred or accelerated by reason of timing differences which have originated but not reversed by the balance sheet date. Deferred tax assets are recognised as recoverable and therefore only recognised when on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried-forward tax losses and from which the future reversal of underlying timing differences can be deducted. Deferred tax on the retained earnings of overseas subsidiaries is only provided when there is a binding commitment to distribute past earnings in future periods.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse. Deferred tax liabilities and assets are not discounted.

(l) Current asset investments

Current asset investments are stated at the lower of cost and net realisable value.

In the case of debt securities acquired at a significant premium or discount to maturity value, and intended to be held to redemption, cost is adjusted to amortise the premium or discount over the life to maturity of the security. Floating rate bonds are stated at cost. Interest income is taken to the profit and loss account on a receivable basis.

Equity investments are included as current assets when regarded as available for sale.

2 Segmental information

The Company's turnover was derived from the Pharmaceuticals business with customers located in the Philippines.

3 Other operating (expense)/income

	2012 £000	2011 £000
Other (expense)/income	(175)	208

Other operating expense includes exchange loss of £128,000 (2011: exchange gain of £10,000), profit on sale of fixed assets of £4,000 (2011: £10,000) and miscellaneous expenses of £51,000 (2011: income of £188,000).

4 Operating profit

	2012 £000	2011 £000
The following items have been charged/(credited) in operating profit		
Depreciation of tangible fixed assets		
Owned assets	791	712
Profit on disposal of fixed assets	(4)	(10)
Exchange losses/(gains) on foreign currency transactions	128	(10)
Operating lease rentals		
Land and buildings	71	63
Plant, equipment and vehicles	71	60
Management fee	11	11
Audit fees		
Auditors' overseas firm	17	16

GlaxoSmithKline Services Unlimited provides various services and facilities to the Company including finance and administrative services for which a management fee is charged.

SmithKline Beecham Research Limited

Notes to the financial statements for the year ended 31 December 2012

5 Income from shares in Group undertakings

	2012 £000	2011 £000
Dividends	6,959	-

On 31st August 2012, SmithKline Beecham Research Ltd received a dividend of £6,959,000 from GlaxoSmithKline Philippines Inc

6 Interest receivable and similar income

	2012 £000	2011 £000
Other interest income	8	7

7 Interest payable and similar charges

	2012 £000	2011 £000
On loans with Group undertakings	(425)	(451)

8 Tax on profit on ordinary activities

	2012 £000	2011 £000
Tax charge based on profits for the financial year		
Current tax		
UK corporation tax at 24.5% (2011: 26.5%)	153	213
Overseas tax	680	212
Double tax relief	(124)	(229)
Withholding tax	-	-
Over provision in previous years	-	(7)
Total current tax	709	189
Deferred tax		
Origination and reversal of timing differences	(6)	(36)
Adjustments in respect of previous years	(16)	(40)
Change in tax rate - impact on deferred tax	(17)	(58)
Total deferred tax	(39)	(134)
Tax on profit on ordinary activities	670	55

The tax assessed for the year is lower (2011: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2012 of 24.5% (2011: 26.5%). The differences are explained below

	2012 £000	2011 £000
Reconciliation of current tax charge		
Profit on ordinary activities at the UK statutory rate 24.5% (2011: 26.5%)	1,744	25
Effects of:		
Overseas tax	680	212
Double tax relief	(124)	(229)
Income not taxable	(1,712)	-
Permanent disallowable - interest treated as paid by ultimate parent	75	102
Other permanent differences	16	81
Adjustments to tax charge in respect of previous years	-	(7)
Capital allowances in excess of depreciation	30	14
Withholding tax	-	-
Other timing differences	-	(9)
Current tax charge for the year	709	189

The main rate of UK corporation tax reduced from 26% to 24% with effect from 1 April 2012. Legislation to further reduce the main rate of corporation tax from 24% to 23% with effect from 1 April 2013 was included in the Finance Act 2012. These tax changes became substantively enacted on 26 March 2012 and 3 July 2012 respectively and hence the effect of the changes on the deferred tax balances has been included in the figures above.

The Chancellor also proposed changes to further reduce the main rate of UK corporation tax from 23% to 21% from 1 April 2014 and to 20% from 1 April 2015 on 5 December 2012 and 20 March 2013 respectively. These changes were substantively enacted on 2 July 2013 and therefore are not included in the figures above.

The overall effect of the further changes from 23 per cent to 20 per cent, if these applied to the deferred tax balance at 31 December 2012, would be to reduce the deferred tax liability by approximately £25k.

SmithKline Beecham Research Limited

Notes to the financial statements for the year ended 31 December 2012

9 Tangible assets

	Land and buildings £000	Plant equipment and motor vehicles £000	Total £000
Cost			
At 1 January 2012	1,881	7,612	9,493
Additions	-	956	956
Disposals	-	(15)	(15)
Exchange movement	47	167	214
At 31 December 2012	1,928	8,720	10,648
Accumulated depreciation			
At 1 January 2012	(955)	(4,342)	(5,297)
Provision for the year	(67)	(724)	(791)
Disposals	-	15	15
Exchange movement	(17)	(101)	(118)
At 31 December 2012	(1,039)	(5,152)	(6,191)
Net book value at 1 January 2012	926	3,270	4,196
Net book value at 31 December 2012	889	3,568	4,457

10 Fixed asset investments

	Subsidiary undertaking shares at cost £000
Cost	
At 1 January 2012	15,088
Exchange adjustments	339
At 31 December 2012	15,427
Carrying value at 1 January 2012	15,088
Carrying value at 31 December 2012	15,427

Details of the principal subsidiary undertakings of the Company as at 31 December 2012 are given in Note 26

The Directors believe that the carrying value of the investments is supported by their underlying net assets

11 Debtors

	2012 £000	2011 £000
Amounts due within one year		
Amounts owed by Group undertakings	46,657	46,107
Corporation tax	43	-
Other debtors	1,115	736
	47,815	46,843

The taxation debtor contains amounts which will be recovered by way of payments from fellow Group companies

SmithKline Beecham Research Limited
Notes to the financial statements for the year ended 31 December 2012

12 Current asset investments	2012
	£000
Cost	
At 1 January 2012	213
Exchange adjustments	9
At 31 December 2012	222
Carrying value at 1 January 2012	213
Carrying value at 31 December 2012	222

Current asset investments comprise entirely of unlisted investments of £222,000 (2011 £213,000)

The Directors believe that the carrying value of the investments is supported by their underlying net assets

13 Creditors	2012	2011
	£000	£000
Amounts falling due within one year		
Trade creditors	259	152
Amounts owed to Group undertakings	57,313	59,771
Corporation tax	-	133
Other creditors	653	785
	58,225	60,841

Amounts owed to Group undertakings are unsecured and repayable on demand

14 Deferred tax liability	2012	2011
	£000	£000
Accelerated capital allowances	193	231
Deferred tax liability		Total
		£000
At 1 January 2012		231
Credit to profit and loss account		(22)
Adjustments in respect of previous years		(16)
At 31 December 2012		193

SmithKline Beecham Research Limited

Notes to the financial statements for the year ended 31 December 2012

15 Called up share capital

	2012 Number of shares	2011 Number of shares	2012 £000	2011 £000
Authorised				
Ordinary Shares of 25p each (2011: 25p each)	8,000,000	8,000,000	2,000	2,000
Issued and fully paid				
Ordinary Shares of 25p each (2011: 25p each)	6,462,400	6,462,400	1,616	1,616

16 Profit and loss account

	£000
At 1 January 2012	7,639
Profit for the financial year	6,451
Exchange movements	607
Actuarial losses on pension schemes	(341)
Deferred tax on pension asset movement	93
At 31 December 2012	14,449

17 Reconciliation of movements in shareholders' funds

	2012 £000	2011 £000
Profit for the financial year	6,451	41
Exchange movement on overseas net assets	607	44
Actuarial losses on pension schemes	(341)	(1,170)
Tax effect of actuarial losses on pension schemes	93	309
Net addition/(deduction) to shareholders' funds	6,810	(776)
Opening shareholders' funds	9,255	10,031
Closing shareholders' funds	16,065	9,255

18 Commitments

The Company had annual commitments under non-cancellable operating leases expiring as follows

	2012 £000	2011 £000
Operating leases on land and buildings which expire		
In one year or less	71	60
Between one and five years	-	3
	71	63
Operating leases on plant, equipment and vehicles which expire		
In one year or less	4	3
Between one and five years	175	72
	179	75

SmithKline Beecham Research Limited

Notes to the financial statements for the year ended 31 December 2012

19 Pensions

The Philippines branch operates a defined contribution scheme. The assets of the scheme are held separately in a trustee administered fund. Contributions to the fund are charged to the profit and loss account in the period to which the contributions relate. The charge for the period was £88,144 (2011 - £43,286). There was £nil outstanding creditor balance in respect of the scheme as 31st December 2012 (2011 - £nil).

The Philippines branch also operates a non-contributory defined benefit scheme based on final pensionable pay and total years of service. The scheme assets are held separately in a trustee administered fund. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the Company. The contributions are determined by an independent qualified actuary on the basis of valuations using the projected unit method. The most recent valuation was at 31 December 2012. The main assumptions used in this valuation were that the rate of return on investments would be 4% per annum and the rate of increase in salaries would be 6% per annum.

The total amount debited to the profit and loss statement during the period was £ 74,670 (2011 - credit of £27,000).

The Company accounts for pension arrangements in accordance with FRS17 'Retirement benefits'. Certain disclosures are required on the basis of the valuation methodology adopted by FRS 17 'Retirement benefits'. For defined benefit schemes the fair values of pension scheme assets at 31 December 2012 are compared with the future pension liabilities calculated under the projected unit method applying the following assumptions:

Principal financial assumptions

	2012 % pa	2011 % pa	2010 % pa
Rate of increase of future earnings	6.0	6.0	6.0
Discount rate	6.1	6.8	10.0
Inflation rate	6.0	6.0	6.0

Mortality assumptions

The mortality assumptions are based on 1983 Group Annuity Tables.

The expected long-term rates of return on the assets determined based on actuarial advice and the fair values of the assets and liabilities of the defined benefit schemes are as follows:

	Expected Rate of Return %	2012 £000	Expected Rate of Return %	2011 £000	Expected Rate of Return %	2010 £000
Cash in Bank	0%	78	0%	12	0%	18
Investments	6.1%	743	6.5%	726	9%	1,296
Land	4%	17	4%	492	4%	511
Fair value of assets		838		1,230		1,825
Present value of scheme obligations		(781)		(804)		(259)
Surplus in the scheme		57		426		1,566
Deferred tax liability		(13)		(107)		(423)
Net pension surplus		44		319		1,143

The actual return on scheme assets was £199,340 (2011 - credit of £579,572).

The following amounts were recorded in the profit and loss account and statement of recognised gains and losses for the year ended 31st December 2012:

SmithKline Beecham Research Limited

Notes to the financial statements for the year ended 31 December 2012

Amounts charged to operating profit	2012	2011
	£000	£000
Current service cost	88	43
Total	88	43

Amounts credited/(charged) to net interest	2012	2011
	£000	£000
Expected return on pension scheme assets	66	96
Interest on pension scheme liabilities	(53)	(26)
Total	13	70

Amounts recorded in statement of total recognised gains and losses	2012	2011
	£000	£000
Actual return less expected return on pension scheme assets	(284)	(680)
Opening balance adjustment	(48)	-
Experience loss arising on the scheme liabilities	(85)	(638)
Changes in assumptions underlying the present value of scheme liabilities	76	148
Actuarial losses recognised	(341)	(1 170)

The cumulative actuarial loss recorded in the statement of recognised gains and losses amounted to £825 000 (2011 - loss of £484 000)

An adjustment of £48,000 was made to bring the obligation in the scheme at the beginning of the year in line with the actuarial valuation performed

Changes to the present value of the defined obligation are as follows	2012	2011
	£000	£000
Obligation in scheme at beginning of the year	804	259
Opening balance adjustment	(48)	-
Effect on retranslation of surplus at 2012 and 2011 exchange rates	17	-
Movement in year		
Charged to operating profit	88	43
Benefits paid	(295)	(14)
Curtailment	86	-
Interest cost	53	26
Actuarial loss recognised in statement of total recognised gains and losses	76	490
Obligation in scheme at end of the year	781	804

An adjustment of £48,000 was made to bring the obligation in the scheme at the beginning of the year in line with the actuarial valuation performed

Curtailment costs relate to employees who have availed of the early retirement package offered by the Branch. In the prior year these were recorded in the actuarial loss recognised in the statement of total recognised gains and losses

Changes to the fair value of plan assets during the year are as follows	2012	2011
	£000	£000
Assets in scheme at beginning of the year	1,230	1,825
Effect on retranslation of surplus at 2012 and 2011 exchange rates	27	3
Movement in year		
Expected return on plan assets	66	96
Contributions by plan participants and employer	75	-
Benefits paid	(295)	(14)
Actuarial (losses)/gains recognised in statement of total recognised gains and losses	(265)	(680)
Assets in scheme at end of the year	838	1 230

SmithKline Beecham Research Limited

Notes to the financial statements for the year ended 31 December 2012

	2012 £000	2011 £000	2010 £000
History of experience adjustments			
Experience adjustments on scheme assets	(285)	824	298
Percentage of scheme assets at 31st December	(34%)	67%	16%
Experience adjustments on scheme liabilities	(85)	(638)	(47)
Percentage of present value of scheme liabilities at 31st December	(11%)	(79%)	(18%)
Total amount recognised in statement of total recognised gains and	(341)	(1,170)	268
Percentage of present value of scheme liabilities at 31st December	(44%)	(146%)	103%

	2009 £000	2008 £000
History of experience adjustments		
Experience adjustments on scheme assets	597	(646)
Percentage of scheme assets at 31st December	43%	(79%)
Experience adjustments on scheme liabilities	37	(88)
Percentage of present value of scheme liabilities at 31st December	16%	43%
Total amount recognised in statement of total recognised gains and	601	(653)
Percentage of present value of scheme liabilities at 31st December	261%	320%

20 Employees

	2012 £000	2011 £000
Employee costs		
Wages and salaries	1,563	1,365
Social security costs	28	28
Pension and other post retirement costs	106	9
	1,697	1,378
The average number of persons employed by the Company (including Directors) during the year	2012 number	2011 number
Manufacturing	96	109

Wages and salaries include severance expense of £208,000 made to employees who availed of the early retirement package offered by the Branch in 2012 relating to the streamlining of its operations

21 Directors' remuneration

During the year the Directors of the Company with the exception of the Corporate Directors, were remunerated as executives of the Group and received no remuneration in respect of their services to the Company (2011 £nil) Corporate Directors received no remuneration during the year, either as executives of the Group or in respect of their services to the Company (2011 £nil)

SmithKline Beecham Research Limited

Notes to the financial statements for the year ended 31 December 2012

22 Cash flow statement

A cash flow statement has been included in the consolidated financial statements of GlaxoSmithKline plc, the ultimate parent undertaking which are publicly available. As a wholly owned subsidiary of the ultimate parent undertaking, advantage has been taken of the exemption afforded by FRS 1 'Cash flow statements' (revised 1996) not to prepare a cash flow statement.

23 Group financial statements

The Company is a wholly owned subsidiary of the ultimate parent company and as such has taken advantage of the exemption from preparing group financial statements under section 400 of the Companies Act 2006.

24 Ultimate parent undertaking

GlaxoSmithKline plc, a company registered in England and Wales, is the Company's ultimate parent undertaking and controlling party. The largest and smallest group of undertakings for which group financial statements are prepared and which include the results of the Company, are the consolidated financial statements of GlaxoSmithKline plc. Copies of the consolidated financial statements can be obtained from the Company Secretary, GlaxoSmithKline plc, 980 Great West Road, Brentford, Middlesex TW8 9GS. The immediate parent undertaking is SmithKline Beecham Limited.

25 Related party transactions

As a wholly owned subsidiary of the ultimate parent company, GlaxoSmithKline plc, advantage has been taken of the exemption afforded by FRS 8 'Related party disclosures' not to disclose any related party transactions within the Group. There are no other related party transactions.

26 Principal subsidiary and associated undertakings

The principal subsidiary and associated undertakings of the Company as at 31 December 2012 are as follows:

Company	Percentage shares held	Class of shares held	Country of incorporation
GlaxoSmithKline Philippines Inc	23.2658%	Ordinary	Philippines