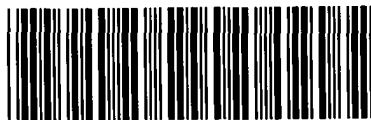


SmithKline Beecham Research Limited

(Registered number: 00229017)

Annual Report for the year ended 31 December 2016

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Registered office address:
980 Great West Road
Brentford
Middlesex
TW8 9GS
England

SmithKline Beecham Research Limited
(Registered number: 00229017)

Annual Report for the year ended 31 December 2016

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SmithKline Beecham Research Limited
(Registered number: 00229017)

Strategic report for the year ended 31 December 2016

The Directors present their Strategic report on the Company for the year ended 31 December 2016.

Principal activities and future developments

SmithKline Beecham Research Limited (the "Company") is a wholly owned subsidiary of the GlaxoSmithKline Group (the "Group"). The principal activity of the Company is the manufacture and supply of pharmaceutical and consumer healthcare products to the Group companies in the Philippines. The Directors do not envisage any change to the nature of the business in the foreseeable future.

Review of business

The Company made a profit for the financial year of £69,000 (2015: loss of £6,360,000). The Directors are of the opinion that the current level of activity and the year end financial position are sustainable due to the positive net asset position of the company and will remain so in the foreseeable future.

The profit for the financial year of £69,000 will be transferred to reserves (2015: loss for the year of £6,360,000 transferred from reserves).

Exceptional items

Exceptional items include impairment of the investment of the Company's associate investment in GlaxoSmithKline Philippines Inc ("GSKPI") of £177,000 (2015: £6,610,000). As at 31 December, the sale of GSKPI to a fellow Group company had not been concluded and the impairment referred to above was with reference to the Fair value to be received for the sale.

Principal risks and uncertainties

The Directors of GlaxoSmithKline Consumer Healthcare Holdings Limited manage the risks at the joint venture Group level, rather than at an individual statutory entity level. For this reason, the Company's Directors believe that a discussion of the Company'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 joint venture group, which include those of the Company, are discussed in the GSK Group's annual report either separately, or as part of the GSK Group's principal risks and uncertainties. The GSK Group annual report does not form part of this report.

Key performance indicators (KPIs)

The Directors of GlaxoSmithKline Consumer Healthcare Holdings Limited manage the joint venture's operations on a global group 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 2016 Annual Report which does not form part of this report.

On behalf of the Board



Melanie Foster-Hawes
Director
13 September 2017

SmithKline Beecham Research Limited
(Registered number: 00229017)

Directors' report for the year ended 31 December 2016

The Directors present their report on the Company and the audited financial statements for the year ended 31 December 2016.

Results and dividends

The Company's results for the financial year are shown in the income statement on page 6.

No dividend is proposed to the holders of ordinary shares in respect of the year ended 31 December 2016 (2015: £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

Paul Blackburn	(Resigned on 1 March 2016)
Adam Walker	(Resigned on 1 August 2016)
Jonathan Box	(Appointed on 17 June 2016)
Melanie Foster-Hawes	(Appointed on 17 June 2016)

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 Directors' in the execution and discharge of their duties.

In addition, each of the Directors who is an individual benefits from an indemnity given by another Group company, GlaxoSmithKline Services Unlimited. This indemnity is in respect of liabilities arising out of third party proceedings to which the Director is a party by virtue of his or her engagement in the business of the Company.

Qualifying third party indemnity provisions (as defined in the Companies Act 2006) are in force for the benefit of Directors and former Directors who held office during 2016 and up to the signing of the Annual Report.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic report, 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards), including FRS 101 'Reduced disclosure framework' ("FRS 101") 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.

SmithKline Beecham Research Limited
(Registered number: 00229017)

Directors' report for the year ended 31 December 2016 (continued)

Statement of Directors' responsibilities (continued)

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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.

The following items have been included in the Strategic report on page 1:

- principal activities and future developments;
- review of business;
- exceptional items; and
- principal risks and uncertainties.

Governance

The Company's approach to the Modern Slavery Act 2015 is set by the Group. As part of their governance, the Group reviewed and approved the approach to the Modern Slavery Act 2015 during 2016.

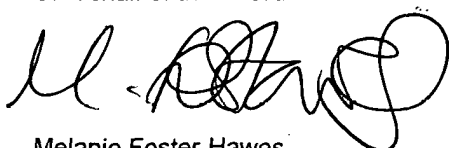
Disclosure of information to auditors

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.

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.

On behalf of the Board



Melanie Foster-Hawes
Director
13 September 2017

SmithKline Beecham Research Limited
(Registered number: 00229017)

Independent auditors' report to the members of SmithKline Beecham Research Limited

Report on the financial statements

Our opinion

In our opinion, SmithKline Beecham Research Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 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 properly prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Directors' report and financial statements (the "Annual Report"), comprise:

- the Balance sheet as at 31 December 2016;
- the Income statement and Statement of comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended;
- the notes to the financial statements, which include summary of significant accounting policies and other information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Directors have made a number of subjective judgments, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic report and the Directors' report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006, we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exception to report arising from this responsibility.

SmithKline Beecham Research Limited
(Registered number: 00229017)

Independent auditors' report to the members of SmithKline Beecham Research Limited

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 2 and 3, 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) ("ISA (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

The 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about 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:

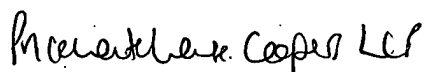
- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in the areas by assessing the Directors' judgments against available evidence, forming our own judgments, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing that audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic report and the Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

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
13 September 2017

SmithKline Beecham Research Limited
(Registered number: 00229017)

Income statement
for the year ended 31 December 2016

	Notes	2016 £000	2015 £000
Turnover	4	10,568	11,123
Cost of sales		(8,718)	(9,430)
Gross profit		1,850	1,693
Administrative expenses		(37)	(11)
Other operating expenses		(1,328)	(852)
<i>Exceptional items:</i>			
Impairment of assets held for sale	16	(177)	(6,610)
Operating profit / (loss)	5	308	(5,780)
Profit / (loss) before interest and taxation		308	(5,780)
Finance income	7	-	1
Finance expense	8	(39)	(273)
Other finance costs		-	(50)
Finance expense-net		(39)	(322)
Profit / (loss) before taxation		269	(6,102)
Taxation	9	(200)	(258)
Profit / (loss) for the year		69	(6,360)

SmithKline Beecham Research Limited
(Registered number: 00229017)

Statement of comprehensive income
for the year ended 31 December 2016

	Notes	2016 £000	2015 £000
Profit / (loss) for the year		69	(6,360)
Items that may be subsequently reclassified to the income statement:			
Fair value movements on available-for-sale investments	12	(23)	(200)
Deferred tax on fair value movements on available-for-sale investments		-	(16)
Exchange movements on overseas net assets		3,045	(643)
Items that will not be reclassified to the income statement:			
Actuarial gains on pension schemes	13	342	405
Movement on deferred tax relating to pension deficit	9	(103)	(77)
Other comprehensive income / (loss) for the year		3,261	(531)
Total comprehensive income / (loss) for the year		3,330	(6,891)

SmithKline Beecham Research Limited
(Registered number: 00229017)

Balance sheet
as at 31 December 2016

	Notes	2016 £000	2015 £000
Non-current assets			
Property, plant and equipment	10	6,659	5,010
Investments in associates	11	-	8,282
Available-for-sale investments	12	349	318
Deferred tax assets	9	457	120
Pensions and other post employment benefits	13	312	-
Total non-current assets		7,777	13,730
Current assets			
Inventories	14	3,583	2,534
Trade and other receivables	15	17,307	49,687
Cash and cash equivalents		3,812	1,984
Assets held for sale	16	9,167	-
Total current assets		33,869	54,205
Total assets		41,646	67,935
Current liabilities			
Trade and other payables	17	(23,679)	(53,298)
Net current assets		10,190	907
Total assets less current liabilities		17,967	14,637
Net assets		17,967	14,637
Equity			
Share capital	18	1,616	1,616
Other reserves		71	94
Retained earnings		16,280	12,927
Shareholders' equity		17,967	14,637

The financial statements on pages 6 to 23 were approved by the Board of Directors on 13 September 2017 and were signed on its behalf by:


Jonathan Box
Director

SmithKline Beecham Research Limited
(Registered number: 00229017)

Statement of changes in equity
for the year ended 31 December 2016

	Share capital £000	Retained earnings £000	Other reserves £000	Total £000
At 1 January 2015	1,616	19,601	311	21,528
Loss for the financial year	-	(6,360)	-	(6,360)
Other comprehensive loss	-	(314)	(217)	(531)
Total comprehensive loss for the year	-	(6,674)	(217)	(6,891)
At 31 December 2015	1,616	12,927	94	14,637
Profit for the financial year	-	69	-	69
Other comprehensive income/ (expense)	-	3,284	(23)	3,261
Total comprehensive income/ (expense) for the year	-	3,353	(23)	3,330
At 31 December 2016	1,616	16,280	71	17,967

Notes to the financial statements for the year ended 31 December 2016

1 Presentation of the financial statements

General information

SmithKline Beecham Research Limited (the "Company") is member of the GlaxoSmithKline Group (the "Group"). The principal activity of the Company is the manufacture and supply of pharmaceutical products to the Group companies in the Philippines. The Directors do not envisage any change to the nature of the business in the future.

The Company is a private company and is incorporated and domiciled in the United Kingdom (England). The address of the registered office is 980 Great West Road, Brentford, Middlesex TW8 9GS.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements ("FRS 100") and Financial Reporting Standard 101 Reduced Disclosure

These financial statements have been prepared on the going concern basis under the historical cost convention (as modified by the revaluation of derivative financial assets and liabilities at fair value through profit and loss and available for sale financial assets), and in accordance with the Companies Act 2006.

Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payments' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined);
- IFRS 7, 'Financial instruments: disclosures';
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - (i) paragraph 79(a) (iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 Property, plant and equipment;
 - (iii) paragraph 62(a) and (b) of IAS 40 Investment property;
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), (Statement of cash flows),
 - 10(f) (a Balance sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or make a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
 - 16 (Statement of compliance with all IFRS),
 - 38A (requirements for minimum of two primary statements, including cash flow statements),
 - 38B-D (additional comparative information),
 - 40A-D (requirements for a third Balance sheet),
 - 111 (Cash flow statement information), and
 - 134 - 136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation);

Notes to the financial statements for the year ended 31 December 2016

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more wholly owned members of a group.
- Paragraph 10 of IAS27 'Consolidated and Separate Financial Statements' (requirement to present consolidated financial statements)

The financial statements of GlaxoSmithKline plc can be obtained as described in note 2(b).

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

(b) Consolidation

The Company is a 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. It has also met all of the exemption conditions under section 400 of the Companies Act 2006. 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 GlaxoSmithKline Consumer Healthcare Holdings limited. These financial statements are separate financial statements.

(c) Foreign currency transactions

Foreign currency transactions are booked in functional currency of the Company at the exchange rate ruling on the date of the transaction. Foreign currency monetary assets and liabilities are translated into functional currency at rates of exchange ruling at the balance sheet date. Exchange differences are included in the income statement. The functional and presentation currency of the Company is Pounds Sterling.

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. The Company retranslated its overseas branch results using the following rates (i) average rate of £1: PHP64.40 (2015: PHP69.50) and (ii) period end rate of £1: PHP61.30 (2015: PHP69.10).

(d) Turnover

Turnover is recognised in the income statement when goods or services are supplied or made available to external customers or other Group subsidiaries against orders received, title and risk of loss is passed to the customer, reliable estimates can be made of the relevant deductions and all relevant obligations have been fulfilled, such that the earnings process is regarded as being complete.

Turnover represents the net invoice value after the deduction of discounts and allowances given, and accruals for estimated future rebates and returns. The methodology and assumptions used to estimate rebates and returns are monitored and adjusted regularly in the light of historical information and past experience. Value added tax and other sales taxes are excluded from turnover.

(e) Dividends paid and received

Interim dividends received are included in the income statement in the year in which the right to receive the payment is established. Interim dividends paid are deducted from reserves in the year in which they are paid. Final dividends are recorded in the reserves upon shareholder approval. Dividends in specie are recognised at their fair value at the date of receipt.

Notes to the financial statements for the year ended 31 December 2016

2 Summary of significant accounting policies (continued)

(f) Expenditure

Expenditure is recognised in respect of goods and services received when supplied in accordance with contractual terms. A 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 and promotion expenditure is charged to the income statement as incurred. Shipment costs on inter-company transfers are charged to cost of sales. Distribution costs on sales to customers are included in selling and distribution costs in the Income statement.

(g) 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 income statement 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. The costs of providing pensions under the defined benefit scheme are calculated using the projected unit credit method and spread over the period during which benefit is expected to be derived from the employees' services, in accordance with the advice of qualified actuaries. Present obligations are measured as the present value of estimated future cash flows discounted at rates reflecting the yields of high quality corporate bonds. Pension scheme assets are measured at fair value at the balance sheet date. Actuarial gains and losses, differences between the expected and actual returns of assets and the effect of changes in actuarial assumptions are recognised in the statement of comprehensive income in the year in which they arise.

(h) Property, plant and equipment

Property, plant and equipment are stated at the cost of purchase or construction less provisions for depreciation and impairment. Financing costs are capitalised within the cost of qualifying assets in construction.

Depreciation is calculated to write off the cost of property, plant and equipment, excluding freehold land, using the straight-line basis over their expected useful lives. The normal expected useful lives of the major categories of tangible fixed assets are:

Freehold buildings	20 to 50 years
Plant, machinery, Equipment and vehicles	3 to 20

(i) Impairment of non-financial assets

The carrying values of all non-financial assets are reviewed for impairment, either on a standalone basis or as part of a larger cash generating unit, when there is an indication that the assets might be impaired. Any provision for impairment is charged to the Income statement in the year concerned.

Impairment losses on other non-financial assets are only reversed if there has been a change in estimates used to determine recoverable amounts and only to the extent that the revised recoverable amounts do not exceed the carrying values that would have existed, net of depreciation or amortisation, had no impairments been recognised.

(j) Leases

All leases are operating leases and the rental costs are charged to the income statement on a straight-line basis over the lease term.

(k) Inventories

Inventories are included in the financial statements at the lower of cost (including raw materials, direct labour, other direct costs and related production overheads, where appropriate) or net realisable value. Cost is generally determined on a first in, first out basis. Pre-launch inventory is held as an asset when there is a high probability of regulatory approval for the product. Before that point a provision is made against the carrying value to its recoverable amount; the provision is then reversed at the point when a high probability of regulatory approval is determined.

Notes to the financial statements for the year ended 31 December 2016

2 Summary of significant accounting policies (continued)

(l) Trade and other receivables

Trade and other receivables are carried at original invoice amount less any provisions for doubtful debts. Provisions are made where there is evidence of a risk of non-payment, taking into account ageing, previous experience and general economic conditions. When a trade or other receivable is determined to be uncollectable it is written off, firstly against any provisions available and then to the income statement.

Subsequent recoveries of amounts previously provided for are credited to the income statement. Long-term receivables are discounted where the effect is material.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, current balances with banks and similar institutions and highly liquid investments with maturities of three months or less. They are readily convertible into known amounts of cash and have an insignificant risk of changes in value.

(n) Trade and other payables

Trade and other payables are initially recognised at fair value and then held at amortised cost using the effective interest method. Long-term payables are discounted where the effect is material.

(o) Taxation

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

Deferred tax is provided in full, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax is provided on temporary differences arising on investments in associates except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is provided using rates of tax that have been enacted or substantively enacted by the balance sheet date.

(p) Investment in associates

Investments in associates are held at cost less accumulated impairment losses.

(q) 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 income statement on a receivable basis.

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

(r) Exceptional items

Exceptional items are items of income and expenditure which, in the opinion of the Directors, are material and unusual in nature or of such significance that they require separate disclosure.

(s) Finance income and expense

Interest receivable and similar income and interest payable and similar charges are recognised on an accruals basis.

Notes to the financial statements for the year ended 31 December 2016

2 Summary of significant accounting policies (continued)

(t) Financial assets

Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, available-for-sale investments and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Available-for-sale investments

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet.

Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date, being the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the investment have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Available-for-sale investments are initially recorded at fair value plus transaction costs and then remeasured at subsequent reporting dates to fair value. Unrealised gains and losses on available-for-sale investments are recognised directly in other comprehensive income.

On disposal or impairment of the investments, any gains and losses that have been deferred in other comprehensive income are reclassified to the income statement. Dividends on equity investments are recognised in the income statement when the Company's right to receive payment is established.

Purchases and sales of equity investments are accounted for on the trade date and purchases and sales of other available-for-sale investments are accounted for on settlement date.

(u) Assets held for sale

Non-current assets and disposal groups are transferred to assets held for sale when it is expected that their carrying amounts will be recovered principally through disposal and a sale is considered highly probable. They are held at the lower of carrying amount and fair value less costs to sell.

3 Key accounting judgments and estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts of assets, liabilities, revenue and expenses reported in the financial statements. Actual amounts and results could differ from those estimates. The following are considered to be the key accounting judgements and estimates made.

(a) Taxation

Current tax is provided at the amounts expected to be paid, and deferred tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts, at the rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised, based on managements assumptions relating to the amounts and timing of future taxable profits.

Notes to the financial statements for the year ended 31 December 2016

3 Key accounting judgments and estimates (continued)

(b) Pensions and other post-employment

The costs of providing pensions and other post-employment benefits are charged to the income statement in accordance with IAS 19 'Employee benefits' over the period during which benefit is derived from the employee's services. The costs are assessed on the basis of assumptions selected by management. These assumptions include future earnings and pension increases, discount rates, expected long-term rates of return on assets and mortality rates, and are disclosed in Note 13. Where a surplus on a defined benefit scheme arises, or there is potential for a surplus to arise from committed future contributions, the rights of the Trustees to prevent the Company from obtaining a refund of that surplus in the future are considered in determining whether it is necessary to restrict the amount of the surplus that is recognised.

Discount rates are derived from AA rated corporate bond yields.

(c) Impairment of investments in associates

Investments in associates are held at cost less accumulated impairment losses. Annual impairment tests are carried out to ascertain if the carrying value of investments are impaired. These tests comprise a comparison between the carrying value of investment in subsidiary and associates and the net asset value of the subsidiary and associates. In some instances, valuations of subsidiary companies and associates are prepared. Valuations for impairment tests are based on established market multiples or risk-adjusted future cash flows over the estimated useful life of the asset, where limited, discounted using appropriate interest rates.

The assumptions relating to future cash flows, estimated useful lives and discount rates are based on business forecasts and are therefore inherently judgemental. Future events could cause the assumptions used in these impairment tests to change with a consequent adverse effect on the future results of the Company.

(d) Inventory provisioning

The Company manufactures and sells products and is subject to changing consumer demands. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials.

4 Turnover

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

5 Operating profit / (loss)

	2016 £000	2015 £000
The following items have been charged/(credited) in operating profit/(loss):		
Depreciation of property, plant and equipment	607	631
Exchange gains on foreign currency transactions	(50)	(136)
Operating lease rentals:		
Plant, equipment and vehicles	60	102
Inventories:		
Cost of inventories included in cost of sales	1,091	943
Management fee	4	2
Audit fees		
Auditors' UK firm	20	12
Auditors' overseas firm	4	-
Exceptional items:		
Impairment of investment in associate	177	6,610

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

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Notes to the financial statements for the year ended 31 December 2016

6 Employees

	2016 £000	2015 £000
Employee costs		
Wages and salaries	1,562	1,458
Social security costs	34	28
Other Pension costs	267	160
	1,863	1,646

The average monthly number of persons employed by the Company
(including Directors during the year)

	2016 number	2015 number
Manufacturing	103	107

7 Finance income

	2016 £000	2015 £000
Other interest income	-	1

8 Finance expense

	2016 £000	2015 £000
On loans with Group undertakings	(39)	(273)

9 Taxation

	2016 £000	2015 £000
Income tax expense/(credit) on ordinary activities		
Current tax:		
UK corporation tax	231	303
Overseas tax	563	223
Double tax relief	(231)	(303)
Adjustments in respect of previous years	77	(27)
Total current tax	640	196
Deferred tax:		
Origination and reversal of timing differences	(440)	60
Adjustments in respect of previous years	-	2
Total deferred tax (credit)/charge	(440)	62
Total tax charge for the year	200	258

The tax assessed for the year is lower (2015: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2016 of 20.00% (2015: 20.25%). The differences are explained below:

	2016 £000	2015 £000
Tax expense included in other comprehensive income		
Deferred tax:		
defined benefit plans	103	77
Total tax expense included in other comprehensive income	103	77

Notes to the financial statements for the year ended 31 December 2016

9 Taxation (continued)

	2016 £000	2015 £000
Reconciliation of total tax charge		
Profit / (loss) on ordinary activities before tax	269	(6,102)
Profit / (loss) on ordinary activities at the UK statutory rate 20.00% (2015: 20.25%)	54	(1,236)
Effects of:		
Expenses not deductible for tax purposes	37	1,338
Fixed asset differences	185	(75)
Permanent disallowable - interest treated as paid by ultimate parent	2	40
Adjustments to tax charge in respect of previous periods - deferred tax	-	2
Double taxation relief	(231)	(303)
Overseas tax	563	223
Other differences	(213)	68
Adjustments to tax charge/(credit) in respect of previous years	77	(27)
Deferred tax not recognised	(191)	209
Change in tax rate - impact on deferred tax	(83)	19
Total tax charge for the year	200	258

Reductions in the UK corporation tax rates from 20% to 19% (effective 1 April 2017) and to 17% (effective 1 April 2020) were substantively enacted as part of the Finance (No 2) Act 2015 on 26 October 2015 and Finance Act 2016 on 15 September 2016. This will reduce the Company's future current tax charge accordingly. Deferred taxes have been calculated based on the rate of 17% (2015: 18%) substantively enacted at the balance sheet date.

Movement in deferred tax assets and liabilities:

	Pensions and other post £000	Other net temporary differences £000	Total £000
At 1 January 2016	-	120	120
Credit to income statement	28	412	440
(Charge) to other comprehensive income	(103)	-	(103)
At 31 December 2016	(75)	532	457

After offsetting deferred tax assets and liabilities where appropriate, the net deferred tax asset comprises:

	2016 £000	2015 £000
Deferred tax assets	457	120

Notes to the financial statements for the year ended 31 December 2016

10 Property, plant and equipment

	Land and buildings £000	Plant, equipment and motor £000	Assets in construction £000	Total £000
Cost				
At 1 January 2016	2,262	9,488	956	12,706
Additions	130	705	706	1,541
Disposals and write-offs	(11)	(373)	-	(384)
Exchange movement	320	1,174	157	1,651
At 31 December 2016	2,701	10,994	1,819	15,514
Accumulated depreciation				
At 1 January 2016	(1,251)	(6,445)	-	(7,696)
Charge for the year	(93)	(514)	-	(607)
Disposals	5	369	-	374
Exchange movement	267	(1,193)	-	(926)
At 31 December 2016	(1,072)	(7,783)	-	(8,855)
Net book value at 31 December 2015	1,011	3,043	956	5,010
Net book value at 31 December 2016	1,629	3,211	1,819	6,659

11 Investments in associates

	Total £000
Cost	
At 1 January 2015	14,742
Exchange adjustments	150
At 31 December 2015	14,892
At 1 January 2016	14,892
Transferred to assets held for sale (note 16)	(14,892)
At 31 December 2016	-
Impairment	
At 1 January 2015	-
Movement during the period	(6,610)
At 31 December 2015	(6,610)
At 1 January 2016	(6,610)
Transferred to assets held for sale (note 16)	6,610
At 31 December 2016	-
Carrying value at 31 December 2015	8,282
Carrying value at 31 December 2016	-

The investment in associates has been reclassified to Assets held for sale, as shown in Note 16, from Investments in associates. The investment is in the process of being sold to a fellow Group company. As at 31 December, 2016 the transfer of ownership had not been concluded as local authorities had not issued the relevant legal and taxation documentation confirming transfer of ownership. This is in progress and is expected to be concluded before the end of 2017. The investment has been impaired to the consideration expected to be received from the sale.

Notes to the financial statements for the year ended 31 December 2016

12 Available-for-sale investments

	Total £000
Cost	
At 1 January 2015	203
Exchange adjustments	5
At 31 December 2015	208
Revaluation reserve	
At 1 January 2015	311
Movement in the year	(201)
At 31 December 2015	110
Carrying value at 1 January 2015	514
Carrying value at 31 December 2015	318
Cost	
At 1 January 2016	208
Exchange adjustments	54
At 31 December 2016	262
Revaluation reserve	
At 1 January 2016	110
Movement in the year	(23)
At 31 December 2016	87
Carrying value at 31 December 2015	318
Carrying value at 31 December 2016	349

Current asset investments comprise entirely of unlisted investments of £349,000 (2015: £318,000).

13 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 income statement in the period to which the contributions relate. The charge for the year was £90,819 (2015: £116,155).

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 income statement 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 2016. The main assumptions used in this valuation were that the rate of return on investments would be 5.30% per annum and the rate of increase in salaries would be 4% per annum.

On 12 December 2016, the Company's associate company, GlaxoSmithKline Philippines Inc., transferred pension plan assets amounting to £1,099,000 as part of the reallocation of the pension plan assets among employees of the Company's branch in the Philippines, GlaxoSmithKline Philippines Inc., and a fellow subsidiary company, GlaxoSmithKline Consumer Healthcare. This transfer resulted in a gain of £1,099,000.

The total amount charged to the income statement during the year was £90,766 (2015: £129,820).

Notes to the financial statements for the year ended 31 December 2016

13 Pensions (continued)

The Company accounts for pension arrangements in accordance with IAS 19 'Employee Benefits'. Certain disclosures are required on the basis of the valuation methodology adopted by IAS 19 'Employee Benefits'. For defined benefit schemes the fair values of pension scheme assets at 31 December 2016 are compared with the future pension liabilities calculated under the projected unit method applying the following assumptions:

Principal financial assumptions

	2016 % pa	2015 % pa	2014 % pa
Rate of increase of future earnings	4.0	4.0	6.0
Discount rate	5.5	5.3	5.0
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 %	2016 £000	Expected Rate of Return %	2015 £000	Expected Rate of Return %	2014 £000
Cash in Bank	0%	1	0%	1	0%	1
Investments	5.3%	1,158	5.3%	731	5.0%	698
Land	4%	-	4%	-	4%	-
Fair value of assets		1,159		732		699
Present value of scheme obligations		(847)		(732)		(946)
Surplus / deficit in the scheme		312		-		(247)

The actual gain on scheme assets was £444,448 (2015: £9,775).

The following amounts were recorded in the income statement and the statement of comprehensive income for the year ended 31st December 2016.

Amounts charged to operating profit	2016 £000	2015 £000
Current service cost	91	116
Amounts credited/(charged) to net interest	2016 £000	2015 £000
Expected return on pension scheme assets	36	34
Interest on pension scheme liabilities	(36)	(50)
Total	-	(16)
Amounts recorded in statement of comprehensive income	2016 £000	2015 £000
Actual return less expected return on pension scheme assets	443	(25)
Changes in assumptions underlying the present value of scheme liabilities	(101)	430
Actuarial gains recognised	342	405

Notes to the financial statements for the year ended 31 December 2016

13 Pensions (continued)

Changes to the present value of the defined obligation are as follows:	2016 £000	2015 £000
Obligation in scheme at beginning of the year	732	946
Opening balance adjustment including retranslation	(98)	50
Movement in year:		
Charged to operating profit	90	116
Benefits paid	(14)	-
Interest cost	36	50
Actuarial (gains)/losses recognised in the statement of comprehensive income	101	(430)
Obligation in scheme at end of the year	847	732

An adjustment of £14,105 (2015: £12,676) was made to benefits paid bring the obligation in the scheme's 2016 closing value 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 comprehensive income.

Changes to the fair value of plan assets during the year are as follows:	2016 £000	2015 £000
Assets in scheme at beginning of the year	732	699
Opening balance adjustment including retranslation	(39)	24
Movement in year:		
Expected return on plan assets	37	34
Benefits paid	(14)	-
Actuarial gains/(losses) recognised in the statement of comprehensive income	443	(25)
Assets in scheme at end of the year	1,159	732

The cumulative actuarial gain recorded in the statement of comprehensive income amounted to £823,000 (2015: gain of £481,000).

Sensitivity Analysis on Defined Benefit Obligation	2016 £000	2015 £000
Discount Rate + 1%	778	630
Discount Rate - 1%	1,041	855
Salary Rate + 1%	1,042	856
Salary Rate - 1%	775	628
Turnover rate = 0%	947	789

14 Inventories

	2016 £000	2015 £000
Raw materials and consumables	2,935	1,319
Work in progress	85	-
Finished goods	563	1,215
	3,583	2,534

Notes to the financial statements for the year ended 31 December 2016

15 Trade and other receivables

	2016 £000	2015 £000
Amounts owed by Group undertakings	14,683	47,917
Corporation tax	-	118
Other receivables	2,624	1,652
	17,307	49,687

The amounts owed to group undertakings are unsecured, interest free and are repayable on demand.

The corporation tax debtor contains amounts which will be received from fellow Group companies.

16 Assets held for sale

	Total £'000
Cost	
At 1 January 2016	-
Transferred from Investments in Associates (note 11)	14,892
Exchange adjustments	1,895
At 31 December 2016	16,787
Impairment	
At 1 January 2016	-
Transferred from Investments in Associates (note 11)	(6,610)
Impairments	(177)
Other movements	(833)
At 31 December 2016	(7,620)
Carrying value at 31 December 2016	9,167

The investment in associates has been reclassified from Investments in associates, as shown in Note 11, to assets held for sale. The investment is in the process of being sold to a fellow Group company. As at 31 December, 2016 the transfer of ownership had not been concluded as local authorities had not issued the relevant legal and taxation documentation confirming transfer of ownership. This is in progress and is expected to be concluded before the end of 2017. The investment has been impaired to the consideration expected to be received from the sale.

17 Trade and other payables

	2016 £000	2015 £000
Trade payables	3,103	2,264
Amounts owed to Group undertakings	19,772	50,428
Corporation tax	121	-
Other payables	683	606
	23,679	53,298

Amounts owed to Group undertakings are unsecured with interest charged at 0.36% p.a. and are repayable on demand.

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Notes to the financial statements for the year ended 31 December 2016

18 Share capital

	2016 Number of shares	2015 Number of shares	2016 £000	2015 £000
Issued and fully paid				
Ordinary Shares of 25p each (2015: 25p each)	6,462,400	6,462,400	1,616	1,616

19 Commitments

The Company had annual commitments under non-cancellable operating leases expiring as follows:	2016 £000	2015 £000
Operating leases on plant, equipment and vehicles which expire:		
Rental payments due between one and five years	240	76

20 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 (2015: £nil). Corporate Directors received no remuneration during the year, either as executives of the Group or in respect of their services to the Company (2015: £nil).

21 Investments and associated undertakings

The subsidiaries and associated undertakings of the company as at 31 December 2016 are as follows:

Company	Direct shares held (%)	Indirect shares held (%)	Security	Address of the registered office
GlaxoSmithKline Philippines Inc.	23.27%	-	Ordinary	2266 Chino Roces Avenue, City of Makati, Philippines - 1231
Sterling Products International, Incorporated	100%	-	Common	Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware, United States - 19808
Duncan Pharmaceuticals Philippines Inc.	-	99.99%	Ordinary	2266 Chino Roces Avenue, City of Makati, Philippines - 1231