

SmithKline Beecham Research Limited

(Registered number: 229017)

Directors' report and financial statements

for the year ended 31 December 2013

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SmithKline Beecham Research Limited
Directors' report and financial statements
for the year ended 31 December 2013

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SmithKline Beecham Research Limited
(Registered number: 229017)

Strategic report for the year ended 31 December 2013

The Directors submit their strategic report for the year ended 31 December 2013.

Principal activities and future developments

SmithKline Beecham Research Limited (the "Company") is member of 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.

Review of business

The Company made a profit for the financial year of £7,579,000 (2012: profit of £6,451,000). 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 £7,579,000 will be transferred to reserves (2012: profit of £6,451,000 transferred to reserves).

The Company received a dividend of £5,573,000 for the year 2012 on 25th April 2013 and dividend of £3,125,000 for the year 2013 on 26th December 2013 from GlaxoSmithKline Philippines Inc.

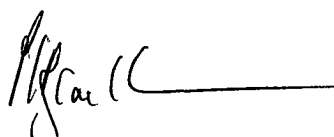
Principal risks and uncertainties

The Directors of 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 2013 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 2013 Annual Report which does not form part of this report.

By order of the Board


P Blackburn
Director
25 September 2014

SmithKline Beecham Research Limited
(Registered number: 229017)

Directors' report for the year ended 31 December 2013

The Directors submit their report and the audited financial statements for the year ended 31 December 2013.

Results and dividends

The Company's results for the financial year are shown in the profit and loss account on page 6.

No dividend is proposed to the holders of Ordinary Shares in respect of the year ended 31 December 2013 (2012: £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 2013

Creditor payment policy

The Company operates procedures to ensure that suppliers are paid on time. In particular, the Company seeks:

- to settle terms of payment with suppliers when agreeing the terms of the transaction,
- to ensure that suppliers are made aware of the agreed terms of payment, and
- to abide by the terms of payment.

The procedures include arrangements for accelerated payment of small suppliers.

Payment performance

Trade creditors at 31 December 2013 represented 1,781 days of annual purchases for the Company (2012: 1,691 days).

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;
- state whether applicable UK accounting standards 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.

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.

By order of the Board



R Williamson
For and on behalf of Edinburgh Pharmaceutical Industries Limited
Company Secretary
25 September 2014

SmithKline Beecham Research Limited

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

Report on the financial statements

Our opinion

In our opinion, the financial statements, defined below:

- give a true and fair view of the state of the Company's affairs at 31 December 2013 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by SmithKline Beecham Research Limited, comprise

- the Balance sheet 31 December 2013;
- the Profit and loss account for the year then ended;
- the Statement of total recognised gains and losses for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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).

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

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 and Strategic report for the year ended 31 December 2013 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 the audit.

Opinion on other matter prescribed by the Companies Act 2006

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

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.

SmithKline Beecham Research Limited

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

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 exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

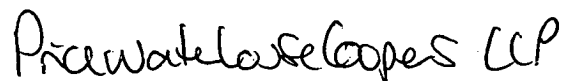
Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 2, 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 ISAs (UK & 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.

The Company, has passed a resolution in accordance with Section 506 of Companies Act 2006 that the auditors' name should not be stated.



PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
25 September 2014

SmithKline Beecham Research Limited

Profit and loss account for the year ended 31 December 2013

| | Notes | 2013 £000 | 2012 £000 |
|---|-------|--------------|--------------|
| Turnover | 2 | 4,420 | 5,143 |
| Cost of sales | | (4,123) | (4,314) |
| Gross profit | | 297 | 829 |
| Other operating Income/(expenses) | 3 | 329 | (197) |
| Operating profit | 4 | 626 | 632 |
| Income from shares in Group undertakings | 5 | 8,698 | 6,959 |
| Profit before interest and taxation | | 9,324 | 7,591 |
| Interest receivable and similar income | 6 | 12 | 8 |
| Interest payable and similar charges | 7 | (377) | (425) |
| Other finance costs | | (48) | (53) |
| Profit on ordinary activities before taxation | | 8,911 | 7,121 |
| Tax on profit on ordinary activities | 8 | (1,332) | (670) |
| Profit for the financial year | 16 | 7,579 | 6,451 |

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 2013**

| | 2013 | 2012 |
|---|--------------|--------------|
| | £000 | £000 |
| Profit for the financial year | 7,579 | 6,451 |
| Exchange movement on overseas net assets | (3,266) | 607 |
| Actuarial gains/(losses) on pension schemes | (13) | (341) |
| Deferred tax on pension asset movement | (16) | 93 |
| Total recognised gains and losses relating to the year | 4,284 | 6,810 |

SmithKline Beecham Research Limited

**Balance sheet
as at 31 December 2013**

| | Notes | 2013 £000 | 2012 £000 |
|---|-------|---------------|----------------|
| Fixed assets | | | |
| Tangible assets | 9 | 4,334 | 4,457 |
| Investments | 10 | 14,019 | 15,427 |
| | | 18,353 | 19,884 |
| Current assets | | | |
| Debtors | 11 | 47,367 | 47,815 |
| Investments | 12 | 181 | 222 |
| Cash at bank and in hand | | 2,624 | 6,518 |
| | | 50,172 | 54,555 |
| Creditors: amounts falling due within one year | 13 | (48,062) | (58,225) |
| Net current assets/(liabilities) | | 2,110 | (3,670) |
| Total assets less current liabilities | | 20,463 | 16,214 |
| Provisions for liabilities | 14 | (16) | (193) |
| Net assets excluding pension (liability)/asset | | 20,447 | 16,021 |
| Net pension (liability)/asset | 19 | (98) | 44 |
| Net assets including pension asset | | 20,349 | 16,065 |
| Capital and reserves | | | |
| Called up share capital | 15 | 1,616 | 1,616 |
| Profit and loss account | 16 | 18,733 | 14,449 |
| Total shareholders' funds | 17 | 20,349 | 16,065 |

The financial statements on pages 6 to 19 were approved by the Board of Directors on 09 September 2014 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 2013

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, throughout the year, 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 Company participates in group operated hybrid pension schemes for the benefit of the majority of its employees, the assets of which are held separately from those of the Company in independently administered funds. As the Company is unable to identify its share of the assets and liabilities of the group scheme, it accounts for contributions as if they were to a defined contribution scheme. Contributions are charged to the profit and loss account in the year to which they relate.

The Philippines branch operates a defined benefit scheme based on final pensionable pay. 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 total recognised gains and losses in the year in which they arise.

(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

| | |
|---------------------|----------------|
| 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 2013

1 Accounting policies (Continued)

(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 based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax liabilities and assets are not discounted.

(l) Interest

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

(m) 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 income/(expenses)

| | 2013 £000 | 2012 £000 |
|----------------|--------------|--------------|
| Other expenses | 346 | (197) |

Other operating income/(expenses) includes exchange gain of £499,000 (2012: exchange loss of £128,000), profit on sale of fixed assets of £nil (2012: £4,000), Bad debt provision of £31,000 and miscellaneous expenses of £122,000 (2012: expenses of £51,000).

SmithKline Beecham Research Limited

Notes to the financial statements for the year ended 31 December 2013

4 Operating profit

| | 2013 £000 | 2012 £000 |
|--|--------------|--------------|
| The following items have been charged/(credited) in operating profit: | | |
| Depreciation of tangible fixed assets: | | |
| Owned assets | 586 | 791 |
| Profit on disposal of fixed assets | - | (4) |
| Exchange (gains)/losses on foreign currency transactions | (499) | 128 |
| Operating lease rentals: | | |
| Land and buildings | 72 | 71 |
| Plant, equipment and vehicles | 89 | 71 |
| Management fee | 11 | 11 |
| Services provided by the company's auditors | | |
| Fees payable for the audit | 19 | 17 |

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

5 Income from shares in Group undertakings

| | 2013 £000 | 2012 £000 |
|-----------|--------------|--------------|
| Dividends | 8,698 | 6,959 |

SmithKline Beecham Research Ltd received a dividend of £5,573,000 for the year 2012 on 25th April and dividend of £3,125,000 for the year 2013 on 26th December 2013 from GlaxoSmithKline Philippines Inc.

6 Interest receivable and similar income

| | 2013 £000 | 2012 £000 |
|-----------------------|--------------|--------------|
| Other interest income | 12 | 8 |

7 Interest payable and similar charges

| | 2013 £000 | 2012 £000 |
|----------------------------------|--------------|--------------|
| On loans with Group undertakings | (377) | (425) |

SmithKline Beecham Research Limited

Notes to the financial statements for the year ended 31 December 2013

8 Tax on profit on ordinary activities

| | 2013 | 2012 |
|---|--------------|-------------|
| Tax charge based on profits for the financial year | £000 | £000 |
| Current tax: | | |
| UK corporation tax at 23.25% (2012: 24.5%) | 166 | 153 |
| Overseas tax | 1,431 | 680 |
| Double tax relief | (103) | (124) |
| Adjustments in respect of prior period | 36 | - |
| Total current tax | 1,530 | 709 |
| Deferred tax: | | |
| Origination and reversal of timing differences | (146) | (6) |
| Adjustments in respect of previous years | (29) | (16) |
| Change in tax rate - impact on deferred tax | (23) | (17) |
| Total deferred tax | (198) | (39) |
| Tax on profit on ordinary activities | 1,332 | 670 |

The tax assessed for the year is higher (2012: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2013 of 23.25% (2012: 24.5%). The differences are explained below:

| Reconciliation of current tax charge | 2013 | 2012 |
|---|--------------|-------------|
| | £000 | £000 |
| Profit on ordinary activities at the UK statutory rate 23.25% (2012: 24.5%) | 2,071 | 1,744 |
| Effects of: | | |
| Overseas tax | 1,431 | 680 |
| Double tax relief | (103) | (124) |
| Income not taxable | (2,083) | (1,712) |
| Permanent disallowable - interest treated as paid by ultimate parent | 61 | 75 |
| Other permanent differences | 19 | 16 |
| Adjustments to tax charge in respect of previous years | 36 | - |
| Depreciation in excess of Capital allowances | 77 | 30 |
| Other timing differences | 21 | - |
| Current tax charge for the year | 1,530 | 709 |

Factors that may effect future tax charges:

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 December 2013 has been calculated based on the rate of 20% which has been substantively enacted at the balance sheet date.

SmithKline Beecham Research Limited

Notes to the financial statements for the year ended 31 December 2013

9 Tangible assets

| | Land and buildings £000 | Plant, equipment and motor vehicles £000 | Total £000 |
|------------------------------------|----------------------------|---|---------------|
| Cost | | | |
| At 1 January 2013 | 1,928 | 8,720 | 10,648 |
| Additions | 219 | 680 | 899 |
| Exchange movement | (217) | (817) | (1,034) |
| At 31 December 2013 | 1,930 | 8,583 | 10,513 |
| Accumulated depreciation | | | |
| At 1 January 2013 | (1,039) | (5,152) | (6,191) |
| Provision for the year | (78) | (508) | (586) |
| Exchange movement | 83 | 515 | 598 |
| At 31 December 2013 | (1,034) | (5,145) | (6,179) |
| Net book value at 1 January 2013 | 889 | 3,568 | 4,457 |
| Net book value at 31 December 2013 | 896 | 3,438 | 4,334 |

10 Fixed asset investments

| | Subsidiary undertaking shares at cost £000 |
|----------------------|---|
| Cost | |
| At 1 January 2013 | 15,427 |
| Exchange adjustments | (1,408) |
| At 31 December 2013 | 14,019 |

Details of the principal subsidiary undertakings of the Company as at 31 December 2013 are given in Note 26.

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

11 Debtors

| | 2013 £000 | 2012 £000 |
|------------------------------------|---------------|---------------|
| Amounts due within one year | | |
| Amounts owed by Group undertakings | 46,127 | 46,657 |
| Corporation tax | 52 | 43 |
| Other debtors | 1,188 | 1,115 |
| | 47,367 | 47,815 |

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

The corporation tax 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 2013

| | |
|-------------------------------------|-------------|
| 12 Current asset investments | 2013 |
| | £000 |
| Cost | |
| At 1 January 2013 | 222 |
| Exchange adjustments | (41) |
| At 31 December 2013 | 181 |
| Carrying value at 1 January 2013 | 222 |
| Carrying value at 31 December 2013 | 181 |

Current asset investments comprise entirely of unlisted investments of £181,000 (2012: £222,000).

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

| | | |
|--|---------------|---------------|
| 13 Creditors: amounts falling due within one year | 2013 | 2012 |
| | £000 | £000 |
| Amounts falling due within one year | | |
| Trade creditors | 518 | 259 |
| Amounts owed to Group undertakings | 46,719 | 57,313 |
| Other creditors | 825 | 653 |
| | 48,062 | 58,225 |

The amounts owed to group undertakings include call account balance with GlaxoSmithKline Finance plc which is unsecured with interest charged at 0.060% per annum and repayable on demand.

| | | |
|-----------------------------------|-------------|--------------|
| 14 Deferred tax liability | 2013 | 2012 |
| | £000 | £000 |
| Accelerated capital allowances | 16 | 193 |
| Deferred tax liability | | Total |
| | | £000 |
| At 1 January 2013 | | 193 |
| Credit to profit and loss account | | (177) |
| At 31 December 2013 | | 16 |

The deferred tax assets in respect of the pension scheme deficit is included as part of the pension scheme deficit in accordance with FRS 17.

| | | | | |
|--|------------------|------------------|-------------|-------------|
| 15 Called up share capital | 2013 | 2012 | 2013 | 2012 |
| | Number of | Number of | £000 | £000 |
| | shares | shares | | |
| Authorised | | | | |
| Ordinary Shares of 25p each (2012: 25p each) | 8,000,000 | 8,000,000 | 2,000 | 2,000 |
| Issued and fully paid | | | | |
| Ordinary Shares of 25p each (2012: 25p each) | 6,462,400 | 6,462,400 | 1,616 | 1,616 |

SmithKline Beecham Research Limited

Notes to the financial statements for the year ended 31 December 2013

16 Profit and loss account

| | £000 |
|--|----------------|
| At 1 January 2013 | 14,449 |
| Profit for the financial year | 7,579 |
| Exchange movements on overseas assets | (3,266) |
| Actuarial gains on pension schemes | (13) |
| Deferred tax on pension asset movement | (16) |
| At 31 December 2013 | 18,733 |

17 Reconciliation of movements in shareholders' funds

| | 2013 £000 | 2012 £000 |
|---|----------------------|----------------------|
| Profit for the financial year | 7,579 | 6,451 |
| Exchange movement on overseas net assets | (3,266) | 607 |
| Actuarial gains/(losses) on pension schemes | (13) | (341) |
| Tax effect of actuarial losses on pension schemes | (16) | 93 |
| Net addition to shareholders' funds | 4,284 | 6,810 |
| Opening shareholders' funds | 16,065 | 9,255 |
| Closing shareholders' funds | 20,349 | 16,065 |

18 Commitments

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

| | 2013 £000 | 2012 £000 |
|---|----------------------|----------------------|
| Operating leases on land and buildings which expire: | | |
| In one year or less | 72 | 71 |
| Operating leases on plant, equipment and vehicles which expire: | | |
| In one year or less | - | 4 |
| Between one and five years | 209 | 175 |
| | 209 | 179 |

SmithKline Beecham Research Limited

Notes to the financial statements for the year ended 31 December 2013

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 year was £95,166 (2012 - £88,144). There was £nil outstanding creditor balance in respect of the scheme as 31st December 2013 (2012: £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 2013. 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 year was £91,662 (2012: credit of £74,670).

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 2013 are compared with the future pension liabilities calculated under the projected unit method applying the following assumptions:

Principal financial assumptions

| | 2013 % pa | 2012 % pa | 2011 % pa |
|-------------------------------------|--------------|--------------|--------------|
| Rate of increase of future earnings | 6.0 | 6.0 | 6.0 |
| Discount rate | 5.4 | 6.1 | 6.8 |
| 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 % | 2013 £000 | Expected Rate of Return % | 2012 £000 | Expected Rate of Return % | 2011 £000 |
|-------------------------------------|---------------------------------|--------------|---------------------------------|--------------|---------------------------------|--------------|
| Cash in Bank | 0% | 61 | 0% | 78 | 0% | 12 |
| Investments | 5.4% | 584 | 6.1% | 743 | 6.5% | 726 |
| Land | 4% | 13 | 4% | 17 | 4% | 492 |
| Fair value of assets | | 658 | | 838 | | 1,230 |
| Present value of scheme obligations | | (780) | | (781) | | (804) |
| Surplus in the scheme | | (122) | | 57 | | 426 |
| Deferred tax assets/(liability) | | 24 | | (13) | | (107) |
| Net pension (deficit)/surplus | | (98) | | 44 | | 319 |

The actual return on scheme assets was £117,184 (2012 - credit of £199,340).

The following amounts were recorded in the profit and loss account and statement of recognised gains and losses for the year ended 31st December 2013.

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Notes to the financial statements for the year ended 31 December 2013

| Amounts charged to operating profit | 2013 £000 | 2012 £000 |
|--|----------------------|----------------------|
| Current service cost | 95 | 88 |
| Total | 95 | 88 |

| Amounts credited/(charged) to net interest | 2013 £000 | 2012 £000 |
|---|----------------------|----------------------|
| Expected return on pension scheme assets | 51 | 66 |
| Interest on pension scheme liabilities | (48) | (53) |
| Total | 3 | 13 |

| Amounts recorded in statement of total recognised gains and losses | 2013 £000 | 2012 £000 |
|---|----------------------|----------------------|
| Actual return less expected return on pension scheme assets | 66 | (284) |
| Opening balance adjustment | (84) | (48) |
| Experience loss/(gain) arising on the scheme liabilities | (74) | (85) |
| Changes in assumptions underlying the present value of scheme liabilities | 79 | 76 |
| Actuarial profit/(losses) recognised | (13) | (341) |

The cumulative actuarial loss recorded in the statement of recognised gains and losses amounted to £838,000 (2012 - loss of £825,000).

An adjustment of £nil (2012:£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: | 2013 £000 | 2012 £000 |
|--|----------------------|----------------------|
| Obligation in scheme at beginning of the year | 781 | 804 |
| Opening balance adjustment | - | (48) |
| Effect on retranslation of surplus at 2013 and 2012 exchange rates | (1) | 17 |
| Movement in year: | | |
| Charged to operating profit | 95 | 88 |
| Benefits paid | (296) | (295) |
| Curtailment | 74 | 86 |
| Interest cost | 48 | 53 |
| Actuarial Gain recognised in statement of total recognised gains and losses | 79 | 76 |
| Obligation in scheme at end of the year | 780 | 781 |

An adjustment of £nil (2012:£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: | 2013 £000 | 2012 £000 |
|--|----------------------|----------------------|
| Assets in scheme at beginning of the year | 838 | 1,230 |
| Effect on retranslation of surplus at 2013 and 2012 exchange rates | (1) | 27 |
| Movement in year: | | |
| Expected return on plan assets | 51 | 66 |
| Contributions by plan participants and employer | - | 75 |
| Benefits paid | (296) | (295) |
| Actuarial gains/(losses) recognised in statement of total recognised gains and losses | 66 | (265) |
| Assets in scheme at end of the year | 658 | 838 |

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Notes to the financial statements for the year ended 31 December 2013

| | 2013 £000 | 2012 £000 | 2011 £000 |
|--|--------------|--------------|--------------|
| History of experience adjustments | | | |
| Experience adjustments on scheme assets | 66 | (284) | 824 |
| Percentage of scheme assets at 31st December | 10% | (34%) | 67% |
| Experience adjustments on scheme liabilities | (74) | (85) | (638) |
| Percentage of present value of scheme liabilities at 31st December | (9%) | (11%) | (79%) |
| Total amount recognised in statement of total recognised gains and | (13) | (341) | (1,170) |
| Percentage of present value of scheme liabilities at 31st December | (2%) | (44%) | (146%) |
| Defined benefit obligation | 780 | 781 | 804 |
| Fair value of plan assets | 658 | 838 | 1,230 |
| (Deficit)/surplus | (122) | 57 | 426 |

| | 2010 £000 | 2009 £000 |
|--|--------------|--------------|
| History of experience adjustments | | |
| Experience adjustments on scheme assets | 296 | 597 |
| Percentage of scheme assets at 31st December | 16% | 43% |
| Experience adjustments on scheme liabilities | (47) | 37 |
| Percentage of present value of scheme liabilities at 31st December | (18%) | 16% |
| Total amount recognised in statement of total recognised gains and | 268 | 601 |
| Percentage of present value of scheme liabilities at 31st December | 103% | 261% |
| Defined benefit obligation | 259 | 230 |
| Fair value of plan assets | 1,825 | 1,395 |
| (Deficit)/surplus | 1,566 | 1,165 |

20 Employees

| | 2013 £000 | 2012 £000 |
|-----------------------|--------------|--------------|
| Employee costs | | |
| Wages and salaries | 1,224 | 1,563 |
| Social security costs | 25 | 28 |
| Other pension costs | 61 | 106 |
| | 1,310 | 1,697 |

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

| | 2013 number | 2012 number |
|---------------|----------------|----------------|
| Manufacturing | 89 | 96 |

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 (2012: £nil). Corporate Directors received no remuneration during the year, either as executives of the Group or in respect of their services to the Company (2012: £nil).

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Notes to the financial statements for the year ended 31 December 2013

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 2013 are as follows:

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