

SmithKline Beecham Research Limited
(Registered number: 00229017)

Annual report and financial statements
for the year ended 31 December 2019



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

SmithKline Beecham Research Limited
(Registered number: 00229017)

Annual report and financial statements
for the year ended 31 December 2019

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SmithKline Beecham Research Limited
(Registered number: 00229017)

Strategic report for the year ended 31 December 2019

The Directors present their Strategic report on SmithKline Beecham Research Limited (the "Company") for the year ended 31 December 2019.

Principal activities and future developments

The Company is a member of the GlaxoSmithKline Group (the "Group"). The Company is a private company limited by shares 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.

The principal activities of the Company during the financial year were the manufacture and supply of pharmaceutical and consumer healthcare products to Group companies in the Philippines. In October 2018, the Group announced its intention to close the manufacturing site in the Philippines by the year 2021 following which the Directors expect the Company's principal activity to become the holding of intercompany balances with other group companies.

Review of business

The Company made a loss for the financial year of £2,000 (2018: profit of £194,000). In October 2018, the Group announced its intention to close the manufacturing site in the Philippines by the year 2021. This is the result of GSK's careful consideration of its manufacturing network strategy to ensure the continuous improvement of its operations, making them more efficient and responsive to the changing business environment. Production will be transferred to a combination of other Group manufacturing sites and third party contract manufacturers. Consequently, the branch's financial statements which are included in these financial statements have been prepared on a basis other than that of a going concern (see note 2(a)) after which the Directors expect the Company's principal activity to become the holding of intercompany balances with other group companies. Further, these financial statements have been prepared on a basis other than that of a going concern (see note 2(a)).

The loss for the financial year of £2,000 will be transferred from reserves (2018: profit of £194,000 transferred to reserves).

Acquisition

On 27 March 2018, the Group announced that it had reached an agreement with Novartis to buyout its 36.5% stake in the Consumer Healthcare Joint Venture for \$13 billion (£9.7 billion) (the "Novartis transaction"). The Novartis transaction was approved by shareholders on 3 May 2018 and completed on 1 June 2018.

Subsequently on 19 December 2018, the Group has also announced the formation of a new Consumer Healthcare Joint Venture with Pfizer in an all-share transaction (the "Pfizer transaction") and on 1 August 2019 it was announced that the Pfizer transaction was completed. The Group now owns a majority controlling equity interest of 68% and Pfizer owns an equity interest of 32% in the Joint Venture. It was also announced that within 3 years of the closing of the Pfizer transaction, the Group intends to separate the Joint Venture via a demerger of its equity interest and a listing of the GSK Consumer Healthcare Joint Venture on the UK equity market.

The Company was not directly involved in the transactions mentioned above.

Principal risks and uncertainties

The Directors of GlaxoSmithKline plc manage the risks of the Group at a group level, rather than at an individual statutory entity 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 2019 annual report which does not form part of this report.

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Strategic report for the year ended 31 December 2019 (continued)

Key performance indicators (KPIs)

The Directors of the Group manage the Group's operations on an operating segment 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 2019 annual report which does not form part of this report.

Approach to Brexit

In preparing for the UK's exit from the EU (Brexit), our overriding priority has been to maintain continuity of supply of our products to people in the UK and EU. As a result, we have taken a risk based approach to planning and mitigation, in conjunction and complete alignment with the Group, whilst the negotiations on future relationships between the UK and the European Union is negotiated.

We have significant experience of maintaining resilient supply chains and have used existing processes to develop a new supply model based on the UK leaving the EU. Uncertainty remains about the new operating environment after the transition ends on 31 December 2020, but all preparations are being taken to minimise disruption to the supply of our products to consumers.

Risks associated with the coronavirus outbreak

The potential impact of the coronavirus outbreak on the Company's supply continuity remains uncertain. Up to the date of this report, the outbreak has not had a material impact on the trading results of the Company. However, we continue to monitor the situation closely, including the potential impacts on trading results, our supply continuity and our employees. The situation could change at any time and there can be no assurance that the coronavirus outbreak will not have a material adverse impact on the future results of the Company.

Post balance sheet events

The Directors have considered the impact on the Company of the COVID-19 pandemic, which is a non-adjusting post balance sheet event. The Directors do not consider that there have been any material adverse changes to the carrying values of the Company's assets nor material adjustments to liabilities subsequent to the year-end which require disclosure in these financial statements.

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Strategic report for the year ended 31 December 2019 (continued)

Section 172 Companies Act 2006 statement

The Company's governance architecture and processes are operated to ensure that all relevant matters are considered by the Board in its principal decision-making, as a means of contributing to the delivery of the Company's long-term priorities of Innovation, Performance and Trust.

In the performance of its duty to promote the success of the Company and the long-term priorities, the Board has agreed to a number of matters, including listening to and considering the views of shareholders and the Company's other stakeholders to build trust and ensure it fully understands the potential impacts of the decisions it makes for our stakeholders, the environment and the communities in which we operate.

The Company has engaged with its main stakeholder groups, including our patients, shareholders, consumers, customers and Group employees, as further detailed in the stakeholder engagement statements in the Directors' Report and the feedback from the engagement has been considered by the Directors during the decision-making process.

On behalf of the Board



Eugene Prokopchuk
Director
17 September 2020

SmithKline Beecham Research Limited
(Registered number: 00229017)

Directors' report for the year ended 31 December 2019

The Directors present their report on the Company and the audited financial statements for the year ended 31 December 2019.

Results and dividends

The Company's results for the financial year are shown in the income statement on page 11.

No dividend is proposed to the holders of ordinary shares in respect of the year ended 31 December 2019 (2018: £nil).

Branches

The Company operates a branch in the Philippines, SmithKline Beecham Research Limited - Philippines. In October 2018, the Group announced its intention to close the manufacturing site in the Philippines by the year 2021.

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

Richard Green

(appointed on 15 January 2019)

Antrinkos Andrew Aristidou

(appointed on 19 August 2019 and resigned on 31 July 2020)

Nicholas Ian Cooper

(appointed on 11 September 2019 and resigned on 10 March 2020)

Melanie Foster-Hawes

(resigned on 15 January 2019)

Richard Philip Tattershall

(resigned on 10 March 2020)

Eugene Prokopchuk

(appointed on 31 July 2020)

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. A corporate director is a legal entity of the Group as opposed to a natural person (an individual) Director.

Directors' indemnity

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

Statement of Directors' responsibilities

The Directors are responsible for preparing the annual report 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, comprising FRS 101 "Reduced Disclosure Framework", 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 year.

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Directors' report for the year ended 31 December 2019 (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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the other than 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. The Directors 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 pages 1 to 3:

- principal activities and future developments;
- review of business;
- acquisition;
- principal risks and uncertainties;
- key performance indicators (KPIs);
- approach to brexit;
- risks associated with the coronavirus outbreak;
- post balance sheet events; and
- section 172 Companies Act 2006 statement.

Modern Slavery

The Company's approach to the Modern Slavery Act 2015 is set by the Group. Each year, as part of their governance arrangements, the Group formally reviews and approves the approach to the Modern Slavery Act 2015 and has confirmed that the approach is still valid for 2019.

Corporate Governance

As a subsidiary company of the Group which is listed on the New York and London Stock Exchanges, the Company has developed governance practices and processes that are fit for purpose.

The Directors have applied an undocumented system of governance by:

- (a) Promoting the purpose of the Group to deliver manufacturing and distribution of medicines through its subsidiaries' operations.
- (b) Regularly reviewing its composition to ensure that it has an appropriately diverse balance of skills, backgrounds, experience and knowledge and that individual Directors have sufficient capacity to make a valuable contribution.
- (c) To support effective decision-making Directors take into account the System of Internal Control and the Code of Conduct when acting in their capacity as a Director of the Company.
- (d) In accordance with the governance practices and processes that it adopts, the Board is supported by Systems of Internal Control to identify opportunities to create and preserve value.
- (e) Having regard to and fostering good stakeholder relationships.

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Directors' report for the year ended 31 December 2019 (continued)

Stakeholder Engagement

The Company aims to build enduring relationships with governments, regulators, patients, customers, partners, suppliers and communities in the countries where it operates. The Company works with its business partners in an honest, respectful and responsible way and seeks to work with others who share the Company's commitments to safety, ethics and compliance.

The Company's activities affect a wide variety of individuals and organisations. The Company engages with these stakeholders and listens to their differing needs and priorities as an everyday part of its business and uses the input and feedback to inform its decision making.

On behalf of the Company, the Group participates in industry associations that offer opportunities to share good practices and collaborate on issues of importance. Additionally, the Group works with governments on a range of issues that are relevant to its business, from regulatory compliance, to collaborating on community initiatives.

The Group seeks to engage with customers through social media, focus groups and in-depth interviews with customers to better understand customer's needs and seek their feedback.

Employee Engagement

Employees of the Company are informed of information on matters of concern to them as employees through the employee intranet and local sites, social media channels, town halls, site visits and webinars including topics such as quarterly results, strategy, business updates and diversity.

There are a number of employee share plans in place at Group level. The Group operates ShareSave and ShareReward plans. The Group also operates group-wide discretionary share plans, which allow employee participation at different levels globally and is linked to the Group's performance.

Disclosure of information to auditor

As far as each of the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware, and the Directors have taken all the steps that ought to have been taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Going concern

In October 2018, the Group announced its intention to close the manufacturing site in the Philippines by the year 2021. This is the result of GSK's careful consideration of its manufacturing network strategy to ensure the continuous improvement of its operations, making them more efficient and responsive to the changing business environment. Production will be transferred to a combination of other Group manufacturing sites and third party contract manufacturers. Consequently, the branch's financial statements which are consolidated into these financial statements have been prepared on a basis other than that of a going concern after which the Directors expect the Company's principal activity to become the holding of intercompany balances with other group companies. Consequently these financial statements have been prepared on a basis other than that of a going concern (see note 2(a)).

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Directors' report for the year ended 31 December 2019 (continued)

Independent auditor

Deloitte LLP have been appointed to act as the Company's auditor by a resolution of the Board of Directors in accordance with s489(3) Companies Act 2006.

On behalf of the Board



Eugene Prokopchuk
Director
17 September 2020

SmithKline Beecham Research Limited
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Independent auditor's report to the members of SmithKline Beecham Research Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of SmithKline Beecham Research Limited (the 'Company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 24.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis on matter - Financial statements prepared on other than on a going concern basis

We draw attention to Note 2(a) to the financial statements, which indicates that the financial statements have been prepared on a basis other than that of going concern. Our opinion is not modified in this respect of this matter.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

SmithKline Beecham Research Limited
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Independent auditor's report to the members of SmithKline Beecham Research Limited
(continued)

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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 the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

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Independent auditor's report to the members of SmithKline Beecham Research Limited
(continued)

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

A handwritten signature in black ink, appearing to read 'Deloitte LLP', is written above the printed name.

Deloitte LLP
Statutory Auditor
London, United Kingdom
18 September 2020

SmithKline Beecham Research Limited
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Income statement
for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Turnover	4	11,725	7,425
Cost of sales		(9,521)	(6,788)
Gross profit		2,204	637
Administrative expenses		(39)	(35)
Other operating expenses		(2,030)	(242)
Operating profit	5	135	360
Profit before interest and taxation		135	360
Finance expense	7	(43)	(43)
Profit before taxation		92	317
Taxation	8	(94)	(123)
(Loss) / profit for the year		(2)	194

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

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Statement of other comprehensive income
for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
(Loss) / profit for the year		(2)	194
Items that may be subsequently reclassified to the income statement:			
Fair value movements on equity investments	11	(83)	105
Deferred tax on fair value movements on equity investments	8	23	(32)
Exchange movements on overseas net assets		(88)	306
Items that will not be reclassified to the income statement:			
Actuarial gains on pension schemes	12	140	263
<i>Movement on deferred tax relating to pension schemes</i>	8	(59)	(72)
Other comprehensive (loss) / income for the year		(67)	570
Total comprehensive (loss) / income for the year		(69)	764

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Balance sheet
as at 31 December 2019

		2019	2018
	Notes	£'000	£'000
Non-current assets			
Property, plant and equipment	9	4,565	8,023
Right of use assets	10	26	-
Equity investments	11	410	493
Deferred tax assets	8	209	352
Pensions and other post employment benefits	12	1,186	877
Total non-current assets		6,396	9,745
Current assets			
Inventories	13	2,659	1,449
Trade and other receivables	14	2,253	5,958
Corporation tax		14	8
Cash and cash equivalents		10,040	4,337
Assets held for sale	15	8,097	8,411
Total current assets		23,063	20,163
Total assets		29,459	29,908
Current liabilities			
Trade and other payables	16	(8,799)	(9,257)
Corporation tax		-	(63)
Borrowings	20	(24)	-
Total current liabilities		(8,823)	(9,320)
Non-current liabilities			
Provisions for liabilities	17	(4,594)	(4,479)
Borrowings	20	(2)	-
Total non-current liabilities		(4,596)	(4,479)
Total liabilities		(13,419)	(13,799)
Net current assets		14,240	10,843
Total assets less current liabilities		20,636	20,588
Net assets		16,040	16,109
Equity			
Share capital	18	1,616	1,616
Other reserves	19	143	203
Retained earnings		14,281	14,290
Shareholders' equity		16,040	16,109

The financial statements on pages 11 to 36 were approved by the Board of Directors on 17 September 2020 and signed on its behalf by:



Eugene Prokopchuk
Director

SmithKline Beecham Research Limited
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Statement of changes in equity
for the year ended 31 December 2019

	Share capital £000	Other reserves £000	Retained earnings £000	Total £000
At 1 January 2018	1,616	130	13,599	15,345
Profit for the financial year	-	-	194	194
Other comprehensive income	-	73	497	570
Total comprehensive income for the year	-	73	691	764
At 31 December 2018	1,616	203	14,290	16,109
Loss for the financial year	-	-	(2)	(2)
Other comprehensive loss	-	(60)	(7)	(67)
Total comprehensive loss for the year	-	(60)	(9)	(69)
At 31 December 2019	1,616	143	14,281	16,040

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Notes to the financial statements for the year ended 31 December 2019

1 Presentation of the financial statements

General information

The Company is a private company limited by shares 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.

The principal activity of the Company is the manufacture and supply of pharmaceutical products to Group companies in the Philippines. In October 2018, the Group announced its intention to close the manufacturing site in the Philippines by the year 2021, following which the entity will be an investment holding company.

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 Framework ("FRS 101").

The Financial are prepared on the basis other than going concern as the Directors are intending to close the manufacturing site of the Philippines branch, which are prepared on an alternative authoritative basis for the year ended 31 December 2019. In preparing the Branch's financial statements, Management has made its best estimate and judgement with regard to the measurement of its assets at net realisable value and liabilities at settlement amount, and the completeness of provisions for all known liabilities based on the best available facts and circumstances. Consequently, after the closure expected in 2021, the directors expect the Company's principal activity to become the holding of intercompany balances with other group companies.

The financial statements are presented in Pounds Sterling (rounded to nearest £'000).

Going concern

In October 2018, the Group announced its intention to close the manufacturing site in the Philippines by the year 2021. This is the result of GSK's careful consideration of its manufacturing network strategy to ensure the continuous improvement of its operations, making them more efficient and responsive to the changing business environment. Production will be transferred to a combination of other Group manufacturing sites and third party contract manufacturers. Consequently, the branch's financial statements which are consolidated into these financial statements have been prepared on a basis other than that of a going concern after which the Directors expect the Company's principal activity to become the holding of intercompany balances with other group companies. Consequently these financial statements have been prepared on a basis other than that of a going concern (see note 2(a)).

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Notes to the financial statements for the year ended 31 December 2019

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101 to requirements set by the International Financial Reporting Standards (IFRS). 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);
- The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3, 'Business combinations';
- The requirements of paragraph 33(c) of IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations';
- IFRS 7, 'Financial instruments: disclosures';
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15, 'Revenue from Contracts with Customers';
- 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 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period);
 - (iv) paragraph 76 and 79(d) of IAS 40, 'Investment property'; and
 - (v) paragraph 50 of IAS 41, 'Agriculture'.
- 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';
- The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16, 'Leases';
- The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total;
- 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 effective);
- Paragraph 17 and 18A of IAS 24, 'Related party disclosures' (key management compensation);
- 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; and

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Notes to the financial statements for the year ended 31 December 2019

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Disclosure exemptions adopted (continued)

- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36, 'Impairment of Assets'.

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 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. GlaxoSmithKline plc, a company registered in United Kingdom (England), 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 PRISM PCH Limited. These financial statements are separate financial statements.

(c) Implementation of IFRS 16 'Leases'

The Company has applied IFRS 16 'Leases' with effect from 1 January 2019. IFRS 16 introduces new requirements for the definition of a lease, lessee accounting and lessor accounting as well as a number of new disclosures. In general, all leases within the scope of IFRS 16 are required to be brought on to the balance sheet by lessees, recognising a 'right of use' asset and a related lease liability at the commencement of the lease. The subsequent accounting is similar to the finance lease model set out in IAS 17. IFRS 16 establishes a control model for the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer.

The Company has adopted IFRS 16 applying the modified retrospective approach, and accordingly prior year results have not been restated (see note 10). For larger leases (leases with annual payments of £1 million or more), the right of use asset at 1 January 2019 was calculated based on the original lease inception date and for smaller leases (leases with annual payments of less than £1 million) the right of use asset was set equal to the lease liability at 1 January 2019, adjusted for any prepaid or accrued lease payments, onerous lease provisions and business combination fair value adjustments. Any difference between the previous carrying amount and the revised carrying amount at 1 January 2019 has been recognised as an adjustment to opening retained earnings at 1 January 2019. The Company has applied the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into either before the date of initial application or after. There have been no significant changes as a result for the vast majority of contracts.

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Notes to the financial statements for the year ended 31 December 2019

2 Summary of significant accounting policies (continued)

(c) Implementation of IFRS 16 'Leases' (continued)

The following permitted practical expedients were applied at transition:

- The right of use asset at the date of transition was adjusted by the amount of the existing onerous lease provision at 31 December 2018, without re-assessment.
- Leases ending within 12 months of the transition date were treated as short-term leases on a lease-by-lease basis.
- Initial direct costs were excluded from the measurement of the right of use asset at the transition date on a lease-by-lease basis.
- Hindsight was applied, such as in determining the lease term where contracts contained options to extend or terminate the lease.

The weighted average incremental borrowing rate applied to lease liabilities recognised on 1 January 2019 was 3.13%.

(d) Foreign currency transactions

Foreign currency transactions are booked in the 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 the 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: PHP66.06 (2018: PHP69.90) and (ii) year end rate of £1: PHP66.91 (2018: PHP66.80).

(e) Turnover

The Company recognises turnover for supply of goods and services to or other Group companies against orders received. The majority of contracts that the Company enters into relate to sales orders containing single performance obligations for the delivery of consumer healthcare products. The average duration of a sales order is less than 12 months.

Turnover is recognised when control of the goods or services is passed to the customers. For manufacturing arrangements where goods are sold by the Company to other Group companies, turnover is recognised when control of the goods is passed to the customer. The point at which the control passes is determined by each customer arrangement. Turnover represents net invoice value including fixed and variable consideration. Variable consideration arises on the sale of goods as a result of discounts and allowances given and accruals for estimated future returns and rebates. Turnover is not recognised in full until it is highly probable that a significant reversal in the amount of cumulative turnover recognised will not occur. The methodology and assumptions used to estimate rebates and returns are monitored and adjusted regularly in the light of contractual and legal obligations, historical trends, past experience and projected market conditions. Once the uncertainty associated with the returns and rebates is resolved, turnover is adjusted accordingly. Value added tax and other sales taxes are excluded from turnover.

For manufacturing arrangements where the Company provides manufacturing services to other Group companies, turnover is recognised over time as the services are provided and corresponding costs incurred. Turnover represents the recharge of manufacturing costs to other Group companies with an agreed mark-up, excluding value added tax and other sales taxes.

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Notes to the financial statements for the year ended 31 December 2019

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.

(g) Finance expense

Finance expenses are recognised on an accruals basis using the effective interest method.

(h) 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.

(i) Property, plant and equipment

Property, plant and equipment is stated at the cost of purchase or construction less residual value and 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 property, plant and equipment are:

Freehold buildings	20 to 50 years
Plant, equipment and vehicles	3 to 20 years

Assets under construction are not depreciated.

On disposal of the property, plant and equipment, the cost and related accumulated depreciation and impairment are removed from the financial statements and the net amount, less any proceeds, is taken to the income statement.

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Notes to the financial statements for the year ended 31 December 2019

2 Summary of significant accounting policies (continued)

(j) Financial assets

Financial assets are measured at amortised cost, fair value through other comprehensive income ('FVTOCI') or fair value through profit or loss ('FVTPL'). The measurement basis is determined by reference to both the business model for managing the financial asset and the contractual cash flow characteristics of the financial asset.

(k) Other investments

Other investments comprise equity investments. The Company has elected to designate equity investments as measured at FVTOCI. They are initially recorded at fair value plus transaction costs and then remeasured at subsequent reporting dates to fair value. Unrealised gains and losses are recognised in other comprehensive income. On disposal of the equity investment, gains and losses that have been deferred in other comprehensive income are transferred directly to retained earnings.

Dividends on equity investments and distributions from funds are recognised in the income statement when the Company's right to receive payment is established.

Purchases and sales of Other investments are accounted for on the trade date.

(l) Impairment of financial assets

Expected credit losses are recognised in the income statement on financial assets measured at amortised cost and at fair value through other comprehensive income apart from equity investments.

For financial assets other than trade receivables a 12-month expected credit loss ('ECL') allowance is recorded on initial recognition. If there is evidence of a significant increase in the credit risk of an asset, the allowance is increased to reflect the full lifetime ECL. If there is no realistic prospect of recovery, the asset is written off.

(m) Investment in subsidiaries

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

(n) Impairment of non-current 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.

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Notes to the financial statements for the year ended 31 December 2019

2 Summary of significant accounting policies (continued)

(o) Leases

The Company recognises right of use assets under lease arrangements in which it is the lessee. Rights to use assets owned by other parties under lease agreements are capitalised at the inception of the lease and recognised on the balance sheet. The corresponding liability to the lessor is recognised as a lease obligation within short and long-term borrowings. The carrying amount is subsequently increased to reflect interest on the lease liability and reduced by lease payments made. For calculating the discounted lease liability on material leases (leases with annual payments of £2 million or more), the implicit rate in the lease is used. If this is not available, the incremental borrowing rate with a lease specific adjustment is used. If neither of these is available, and for leases with immaterial annual payments, the incremental borrowing rate is used. The incremental borrowing rate is calculated at the rate of interest at which the Group would have been able to borrow for a similar term and with a similar security the funds necessary to obtain a similar asset in a similar market.

Finance expenses are charged to the income statement so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Variable rents are not part of the lease liability and the right of use asset. These payments are charged to the income statement as incurred. Short-term and low value leases are not capitalised and lease rentals are also charged to the income statement as incurred (see note 5).

Non-lease components are accounted for separately from the lease components in plant and equipment leases but are not separately accounted for in land and buildings or vehicle leases.

If modifications or reassessments occur, the lease liability and right of use asset are re-measured.

Right of use assets where title is expected to pass to the Company at a point in the future are depreciated on a basis consistent with similar owned assets. In other cases, right of use assets are depreciated over the shorter of the useful life of the asset or the lease term (see note 10).

(p) 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) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. 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.

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Notes to the financial statements for the year ended 31 December 2019

2 Summary of significant accounting policies (continued)

(q) Trade and other receivables

Trade and other receivables are carried at original invoice amount less allowance for expected credit losses. Expected credit losses are calculated in accordance with the approaches permitted by IFRS 9. For trade receivables, the simplified approach is used by using a provision matrix applying lifetime historical credit loss experience to the trade receivables. The expected credit loss rate varies depending on whether and the extent to which settlement of the trade receivables is overdue and it is also adjusted as appropriate to reflect current economic conditions and estimates of future conditions. For the purpose of determining credit loss rates, customers are classified into groupings that have similar loss patterns. The key drivers of the loss rate are the nature of the business unit and the location and type of customer.

For other receivables, the general approach is used where the entity recognises the losses that are expected to result from all possible default events over the expected life of the receivable, when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the receivable has not increased significantly since initial recognition, the entity measures the expected loss allowance based on losses that are expected to result from default events that are possible within 12 months after the reporting date. When a trade and other receivable is determined to be uncollectable it is written off, firstly against any expected credit loss allowance 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.

(r) 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.

(s) 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.

(t) 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.

(u) Provisions for liabilities

Provisions are recognised when the Company has a legal or constructive obligation as a result of a past event, it is probable that outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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Notes to the financial statements for the year ended 31 December 2019

2 Summary of significant accounting policies (continued)

(v) Share capital

Ordinary shares are classified as equity.

(w) Borrowings

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

(x) 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 Critical accounting judgements and key sources of estimation uncertainty

In preparing the financial statements, the Directors are 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 Directors do not consider that there are any critical accounting judgements, apart from those involving estimations (which are dealt with separately below), that have been made in the process of applying the Company's accounting policies and that have had a significant effect on the amounts recognised in the financial statements.

(a) Pensions and other post-employment benefits

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 12. 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.

(b) Provisions

The Company provides for anticipated costs of the closure of the branch where an outflow of resources is considered probable and a reliable estimate may be made of the likely outcome of the expenses arising from claims against the Company. These estimates take into account the specific circumstances of each transaction, are inherently judgemental and could change substantially over time as new facts emerge and each dispute progresses.

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Notes to the financial statements for the year ended 31 December 2019

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

(c) Assessing fair values of assets held-for-sale

The Company determines the fair values of assets held-for-sale using market approach of fair value measurement. This is a comparative approach to value that considers the sales of similar or substitute properties and the related market data, and establishes a value estimate by processes involving comparison. The fair value of assets held-for-sale was determined based on the price agreed with the seller when the Company entered into an agreement to sell the investment of the Company to Glaxo Group Limited (GGL).

Management believes that the fair value of assets held-for-sale as at 31 December 2019 have not significantly changed from the last valuation date given the fact that there are no major developments related to the sale of the investment and the sales price has already been agreed with GGL and remains to be the selling price as at 31 December 2019.

(d) Investment in club shares as financial assets

Equity instruments of another entity are considered as financial assets of the investor/holder.

The Company's investment in club shares are classified as proprietary, which entitles the Company to a residual interest in the net assets upon liquidation. This justifies that such instrument is an equity instrument, and thereby qualifies as a financial asset.

4 Turnover

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

Analysis of turnover by category:

	2019	2018
	£'000	£'000
Pharmaceuticals	7,328	3,075
Consumer Healthcare	4,397	4,350
	11,725	7,425

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Notes to the financial statements for the year ended 31 December 2019

5 Operating profit

	2019 £'000	2018 £'000
The following items have been charged / (credited) in operating profit:		
Depreciation of property, plant and equipment	4,212	1,268
Depreciation of right of use assets	43	-
Exchange loss / (gain) on foreign currency transactions	154	(252)
Loss / (gain) on disposal of PPE	32	(171)
Operating lease rentals:		
Plant, equipment and vehicles	156	84
Inventories:		
Cost of inventories included in cost of sales	2,525	3,953
Management fee	34	31

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

Included in the management fee is a charge for auditor's remuneration of £20,500 (2018: £20,500).

Included in other operating expenses is £933k (2018: £348k) for salaries, wages and employee benefits, (£48k) (2018: (£524k)) for pension benefits income, £137k (2018: £43k) for rental costs, £154k (2018: (£252k)) for exchange loss / gain, £254k (2018: £nil) regarding provision for claims for refund on excess tax credits, £158k (2018: £133k) for outside services, £137k (2018: £136k) for taxes and licences, repairs and maintenance £76k (2018: £88k) and £229k (2018: £270k) other expenses.

6 Employees

	2019 £'000	2018 £'000
Employee costs		
Wages and salaries	2,344	2,169
Social security costs	35	32
Other Pension costs	159	164
	2,538	2,365

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

	2019 number	2018 number
Manufacturing	100	99

7 Finance expense

	2019 £'000	2018 £'000
On loans with Group undertakings	40	43
Interest expense arising on lease liabilities	3	-
	43	43

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Notes to the financial statements for the year ended 31 December 2019

8 Taxation

	2019	2018
	£'000	£'000
Income tax charge / (credit) on profit		
Current tax:		
UK corporation tax	(14)	(8)
Overseas tax	26	50
Adjustments in respect of previous years	(5)	-
Total current tax	7	42
Deferred tax:		
Origination and reversal of timing differences	97	81
Adjustments in respect of previous years	(10)	-
Total deferred tax charge	87	81
Total tax charge for the year	94	123

The tax assessed for the year is higher (2018: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2019 of 19.00% (2018: 19.00%). The differences are explained below:

	2019	2018
	£'000	£'000
Reconciliation of total tax charge		
Profit on ordinary activities before tax	92	317
Tax on ordinary activities at the UK standard rate 19.00% (2018: 19.00%)	18	60
Effects of:		
Expenses not deductible / (income not taxable) for tax purposes	18	(68)
Overseas tax	4	131
Income not taxable	(2)	-
Adjustments to tax charge in respect of previous years	(78)	-
Change in unrecognised deferred tax asset	134	-
Total tax charge for the year	94	123

Factors that may affect future tax charges:

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. There is no impact of this change on the tax charge as there are no instances of UK deferred taxation recognised in the statement of comprehensive income or directly in equity in the current year. The deferred taxation recognised in the statement of comprehensive income relates to the activities of the company's branch in Philippines.

	2019	2018
	£'000	£'000
Tax credit / (charge) included in other comprehensive income		
Deferred tax:		
Fair value movements on available-for-sale financial assets	23	(32)
Defined benefit plans	(59)	(72)
Total tax expense included in other comprehensive income	(36)	(104)

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Notes to the financial statements for the year ended 31 December 2019

8 Taxation (continued)

Movement in deferred tax assets and liabilities:

	Pensions and other post retirement benefits £'000	Other net temporary differences £'000	Total £'000
At 1 January 2019	54	298	352
Adjustment in respect of prior years	-	(10)	(10)
Charge to income statement	(55)	(42)	(97)
(Charge) / credit to other comprehensive income	(59)	23	(36)
At 31 December 2019	(60)	269	209

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

	2019 £'000	2018 £'000
Deferred tax assets	209	352

9 Property, plant and equipment

	Land and buildings £'000	Plant, equipment and vehicles £'000	Assets in construction £'000	Total £'000
Cost				
At 1 January 2019	2,506	13,039	756	16,301
Additions	338	386	-	724
Reclassifications	-	721	(721)	-
Disposals and write-offs	-	(70)	-	(70)
Exchange movement	(8)	(33)	7	(34)
At 31 December 2019	2,836	14,043	42	16,921
Accumulated depreciation				
At 1 January 2019	(1,151)	(7,127)	-	(8,278)
Charge for the year	(633)	(3,579)	-	(4,212)
Disposals and write-offs	-	68	-	68
Exchange movement	4	62	-	66
At 31 December 2019	(1,780)	(10,576)	-	(12,356)
Net book value at 1 January 2019	1,355	5,912	756	8,023
Net book value at 31 December 2019	1,056	3,467	42	4,565

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Notes to the financial statements for the year ended 31 December 2019

10 Right of use assets

	Land and buildings £'000	Plant and equipment £'000	Total £'000
Net book value at 1 January 2019	27	16	43
Additions	-	26	26
Depreciation	(27)	(16)	(43)
Net book value at 31 December 2019	-	26	26

The total cash outflow for leases amounted to £54,371.

There were no significant lease commitments for leases not commenced at year-end.

11 Equity investments

	Total £'000
Cost	
At 1 January 2018	228
Exchange adjustments	9
At 31 December 2018	237
Exchange adjustments	-
At 31 December 2019	237
Revaluation reserve	
At 1 January 2018	151
Movement in the year	105
At 31 December 2018	256
Movement in the year	(83)
At 31 December 2019	173
Carrying value at 1 January 2018	379
Carrying value at 31 December 2018	493
Carrying value at 31 December 2019	410

Equity investments comprise entirely of listed investments of £410,000 (2018: £493,000).

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Notes to the financial statements for the year ended 31 December 2019

12 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 year to which the contributions relate. The charge for the year was £2,617 (2018: £128,085).

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 2019. The main assumptions used in this valuation were that the rate of return on investments would be 3.40% per annum and the rate of increase in salaries would be 6% per annum.

The net amount recognised in the income statement in respect of the defined benefit plan was (£70,491) (2018: (£686,295)).

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 2019 are compared with the future pension liabilities calculated under the projected unit method applying the following assumptions:

Principal financial assumptions

	2019	2018	2017
	% pa	% pa	% pa
Rate of increase of future earnings	4.0	4.0	4.0
Discount rate	3.4	7.7	5.9
Inflation rate	6.0	6.0	6.0

Mortality assumptions

The mortality assumptions are based on "2017 Philippine intercompany mortality table" published by the Actuarial Society of the Philippines.

Economic Assumptions

	2019	Restated	Original
		2018	2018
a. Discount Rate	3.40%	7.70%	7.70%
b. Salary Increase Rate	6.00%	6.00%	6.00%

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Notes to the financial statements for the year ended 31 December 2019

12 Pensions (continued)

Demographic Assumptions

	2019	Restated 2018	Original 2018
a. Mortality Table	2017 PIC 2013 SSS Total	2017 PIC 2013 SSS Total	1978 PIC
b. Disability Table	Disability Table	Disability Table A range of rates starting with 10% per annum for a new hire progressing to a 1% tail rate	1952 SOA A range of rates starting with 10% per annum for a new hire progressing to a 1% tail rate
c. Turnover Table	None	rate	rate

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 %	2019 £'000	Expected Rate of Return %	2018 £'000	Expected Rate of Return %	2017 £'000
Cash in Bank	0%	1	0%	1	0%	1
Investments	5.3%	1,187	5.3%	910	5.3%	1,147
Land	4%	-	4%	-	4%	-
Fair value of assets		1,188		911		1,148
Present value of scheme obligations		(2)		(34)		(1,239)
Surplus / (deficit) in the scheme		1,186		877		(91)

The actual gain on scheme assets was £178,411 (2018: loss of £22,736).

The following amounts were recorded in the income statement and the statement of other comprehensive income for the year ended 31st December 2019.

Amounts charged / (credited) to operating profit	2019 £'000	2018 £'000
Current service cost	3	128
Past service cost	-	(819)
Amounts credited / (charged) to net interest	2019 £'000	2018 £'000
Expected return on pension scheme assets	76	66
Interest on pension scheme liabilities	(2)	(70)
Total	74	(4)

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Notes to the financial statements for the year ended 31 December 2019

12 Pensions (continued)

Amounts recorded in statement of other comprehensive income	2019 £'000	2018 £'000
Actual return less expected return on pension scheme assets	103	(88)
Changes in assumptions underlying the present value of scheme liabilities	37	351
Actuarial gains recognised	140	263
Changes to the present value of the defined obligation are as follows:	2019 £'000	2018 £'000
Obligation in scheme at beginning of the year	34	1,239
Effect on retranslation at year end exchange rates	-	(16)
Movement in year:		
Charged to operating profit	3	128
Benefits paid	-	(217)
Past service costs	-	(819)
Interest cost	2	70
Actuarial gains recognised in the statement of other comprehensive income	(37)	(351)
Obligation in scheme at end of the year	2	34

An adjustment of £nil (2018: £217,165) was made to benefits paid to bring the obligation in the scheme's 2019 closing value in line with the actuarial valuation performed.

Curtailment costs included in past service 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:	2019 £'000	2018 £'000
Assets in scheme at beginning of the year	911	1,148
Opening balance adjustment including retranslation	59	-
Effect on retranslation at year end exchange rates	(5)	2
Movement in year:		
Expected return on plan assets	76	66
Contribution to plan assets	132	-
Benefits paid	-	(217)
Termination benefits from plan assets	(88)	-
Actuarial gains / (losses) recognised in the statement of other comprehensive income	103	(88)
Assets in scheme at end of the year	1,188	911

The cumulative actuarial gain recorded in the statement of other comprehensive income amounted to £967,000 (2018: gain of £827,000).

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Notes to the financial statements for the year ended 31 December 2019

12 Pensions (continued)

Sensitivity Analysis on Defined Benefit Obligation	2019	2018
	£'000	£'000
Discount Rate + 1%	2,253	31,932
Discount Rate - 1%	2,297	32,821
Salary Rate + 1%	2,296	32,824
Salary Rate - 1%	2,253	31,920
Turnover rate = 0%	2,275	3,853

13 Inventories

	2019	2018
	£'000	£'000
Raw materials and consumables	1,855	839
Finished goods	804	610
	2,659	1,449

14 Trade and other receivables

	2019	2018
	£'000	£'000
Amounts due within one year		
Amounts owed by Group undertakings	585	4,148
Other receivables	1,668	1,810
	2,253	5,958

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

In the current financial year, corporation tax asset has been presented separately on the balance sheet which has resulted in the change of the comparatives on the balance sheet.

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Notes to the financial statements for the year ended 31 December 2019

15 Assets held for sale

	Total £'000
Cost	
At 1 January 2018	15,222
Exchange adjustments	182
At 31 December 2018	15,404
Exchange adjustments	(25)
Other movements	(289)
At 31 December 2019	15,090
Impairment	
At 1 January 2018	(6,910)
Other movements	(83)
At 31 December 2018	(6,993)
Exchange adjustments	-
At 31 December 2019	(6,993)
Carrying value at 31 December 2018	8,411
Carrying value at 31 December 2019	8,097

The assets held for sale relates to the Company's investment in GlaxoSmithKline Philippines Inc. and is in the process of being sold to a fellow Group company. As at 31 December 2019 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. The investment was impaired to equal the consideration expected to be received from the sale.

16 Trade and other payables

	2019 £'000	2018 £'000
Amounts falling due within one year		
Trade payables	1,464	1,149
Amounts owed to Group undertakings	5,341	6,541
Other payables	1,994	1,567
	8,799	9,257

Amounts owed to Group undertakings are unsecured, interest free and repayable on demand, except for a call account balance with GlaxoSmithKline IHC Limited of £2,697,000 (2018: £4,213,000) which is unsecured with interest paid at LIBOR rate plus 0.25% (2018: LIBOR rate plus 0.25%) per annum and repayable on demand.

In the current financial year, corporation tax liability has been presented separately on the balance sheet which has resulted in the change of the comparatives on the balance sheet.

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Notes to the financial statements for the year ended 31 December 2019

17 Provisions for liabilities

	Total £'000
At 1 January 2019	(4,479)
Movements in the financial year	(121)
Exchange movement	6
At 31 December 2019	(4,594)

Provisions for liabilities pertains to decommissioning cost, termination benefits and other employee related cost due to the closure of the Branch in 2021.

18 Share capital

	2019 Number of shares	2018 Number of shares	2019 £'000	2018 £'000
Issued and fully paid				
Ordinary Shares of 25p each (2018: 25p each)	6,462,400	6,462,400	1,616	1,616

19 Other reserves

	Fair value reserve £'000
At 1 January 2018	130
Net fair value movements	105
Deferred tax impact on charges to reserves	(32)
At 31 December 2018	203
Net fair value movements	(83)
Deferred tax impact on charges to reserves	23
At 31 December 2019	143

20 Borrowings

	2019 £'000
Amounts falling due within one year	
Lease liabilities	(24)
Amounts falling due after more than one year	
Lease liabilities	(2)
	(26)

Minimum lease payments under non-cancellable operating leases recognised in accordance with IAS 17 Leases as at 31 December 2018:

The Company had annual commitments under non-cancellable operating leases expiring as follows:	2018 £'000
Operating leases on plant, equipment and vehicles which expire:	
Rental payments due within one year	43
Rental payments due between one and five years	12
	55

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Notes to the financial statements for the year ended 31 December 2019

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 (2018: £nil). Corporate Directors received no remuneration during the year, either as executives of the Group or in respect of their services to the Company (2018: £nil).

22 Post balance sheet events

The Directors have considered the impact on the Company of the COVID-19 pandemic, which is a non-adjusting post balance sheet event. The Directors do not consider that there have been any material adverse changes to the carrying values of the Company's assets nor material adjustments to liabilities subsequent to the year-end which require disclosure in these financial statements.

23 Related party transactions

For the period from 1 January 2018 to 31 May 2018, the Company was held by Novartis and with equity interest of 36.5% and the Group with equity interest of 63.5%, therefore the Company was not a wholly owned subsidiary of the Group and related party transactions with another Group company was disclosed for this period in the comparative disclosure.

On 1 June 2018, the Group completed the transaction with Novartis AG ("Novartis") to buy out Novartis' 36.5% stake in their Consumer Healthcare subgroup. The Consumer Healthcare subgroup was formed between the Group and Novartis in 2015, and the Group had control with an equity interest of 63.5%. Upon the completion of this transaction, the Group assumed full ownership of the Consumer Healthcare business.

For the period from 1 June 2018 to 31 July 2019, the Company was a wholly owned subsidiary of the ultimate parent company, GlaxoSmithKline plc, therefore advantage had been taken of the exemption afforded by FRS 101 'Reduced disclosure framework' not to disclose any related party transactions with other wholly owned members of the Group, or information around remuneration of key management personnel compensation.

On 1 August 2019, the Group completed a transaction with Pfizer Inc involving its Consumer Healthcare business. As part of this transaction, the Group and Pfizer have created a new Consumer Healthcare Joint Venture business over which the Group has control with an equity interest of 68%. The transactions between the Company and Pfizer group of companies not contributed into the GSK Consumer Healthcare Joint Venture are deemed related parties transactions and where applicable, are disclosed below for the period from 1 August 2019 to 31 December 2019.

From 1 August 2019 to 31 December 2019, GlaxoSmithKline Services Unlimited provided services and facilitates to the Company including finance, legal, administrative services and IT support for which a management fee of £5,621 (1 January 2018 to 31 May 2018: £4,780) has been charged.

The table below shows the transactions with fellow subsidiaries in the Group for above mentioned period:

	2019 £'000	2018 £'000
Sale or purchase of Goods and Services		
GlaxoSmithKline Services Unlimited	6	5

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Notes to the financial statements for the year ended 31 December 2019

23 Related party transactions (continued)

The table below outlines the amounts from/(due to) related parties at the end of the year 2019:

Name of related party	2019 £'000
GlaxoSmithKline IHC Limitec	(2,697)
Glaxo Group Limited	(1,604)
PT Glaxo Wellcome Indonesia	(760)
GlaxoSmithKline Services Unlimited	(96)
GlaxoSmithKline plc.	(50)
GlaxoSmithKline Philippines Inc.	302

24 Subsidiaries

The subsidiaries of the Company as at 31 December 2019 were as follows:

	Direct shares held (%)	Indirect shares held (%)	Security	Address of the registered office
Sterling Products International, Incorporated	100%	-	Common	Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware, United States - 19808