

GlaxoSmithKline Research & Development Limited
(Registered number: 835139)

Directors' report and financial statements

for the year ended 31 December 2012



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

GlaxoSmithKline Research & Development Limited

Directors' report and financial statements

for the year ended 31 December 2012

Contents

Pages

Directors' report	1 - 3
Independent auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7 - 16

GlaxoSmithKline Research & Development Limited
(Registered number. 835139)

Directors' report for the year ended 31 December 2012

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

Principal activities

GlaxoSmithKline Research & Development Limited (the "Company") is a member of GlaxoSmithKline plc and its subsidiaries (the "Group"), providing research and development services to other companies in the Group. Its people are committed to fighting disease by bringing innovative medicines and services to patients throughout the world and to healthcare providers who serve them. Within this overall aim, the research responsibility is to identify lead compounds, with new or enhanced biological properties. Leads emerging from our research programmes, which satisfy strict criteria including unmet medical need, scientific rationale, commercial potential, strategic fit and development feasibility, will become development projects. The activities aim to develop these new compounds into products for sale, which add value over existing therapies. These programmes are conducted internationally in order to optimise the resources available and to enable marketing approval to be obtained in as many markets as possible, with the minimum of delay. The Directors do not envisage any change to the nature of the business in the foreseeable future.

The Group world-wide research and development activities are focused on the following areas: Respiratory, Anti-virals, Central nervous system, Cardiovascular and Urogenital, Metabolic, Anti-bacterials, Oncology and Emesis, Vaccines, Dermatology and Rare diseases. Success in these areas will enable the Group to strengthen its current franchises and break into new ones.

Review of business

The Directors report that revenue received from other companies in the Group for the provision of research and development and other services amounted to £1,025,449,000 for the year to 31 December 2012 (2011: £1,075,393,000). Total research and development expenditure for the year amounted to £962,423,000 (2011: £1,043,843,000). The profit on ordinary activities, after allowing for interest and taxation, was £66,720,000 (2011: profit of £47,142,000). 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 £66,720,000 will be transferred to reserves (2011: profit for the year of £47,142,000 transferred to reserves).

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 2012 Annual Report which does not form part of this report.

Key performance indicators (KPIs)

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

GlaxoSmithKline Research & Development Limited
(Registered number 835139)

Directors' report for the year ended 31 December 2012

Results and dividends

The Company's results for the financial year are shown in the Profit and loss account on page 5

No dividend is proposed to the holders of Ordinary Shares in respect of the year ended 31 December 2012 (2011 £350,000,000)

Directors and their interests

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

D J Baker	Resigned on 18 February 2013
Glaxo Group Limited	
Edinburgh Pharmaceutical Industries Limited	
I Tomlinson	Appointed on 13 February 2013

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 benefit 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 his or its duties. In addition, 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 engagement in the business of the Company.

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 2012 represented 189 days of annual purchases for the Company (2011 212 days - restated)

Fixed assets

There are no material differences between the market value and the balance sheet value of land and buildings held by the Company

GlaxoSmithKline Research & Development Limited
(Registered number 835139)

Directors' report for the year ended 31 December 2012

Statement of Directors' responsibilities

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

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

In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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

PricewaterhouseCoopersLLP 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



Paul Williamson
For and on behalf of Edinburgh Pharmaceutical Industries Limited
Corporate Director
27 June 2013

GlaxoSmithKline Research & Development Limited

Independent auditors' report to the members of GlaxoSmithKline Research & Development Limited

We have audited the financial statements of GlaxoSmithKline Research & Development Limited for the year ended 31 December 2012 which comprise the Profit and loss account, the Balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' responsibilities set out on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view

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

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

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

Opinion on other matters prescribed by the Companies Act 2006

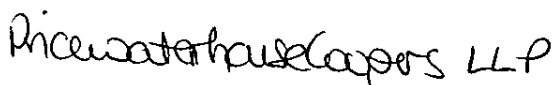
In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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

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

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



PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 June 2013

GlaxoSmithKline Research & Development Limited

**Profit and loss account
for the year ended 31 December 2012**

	Notes	2012 £'000	2011 £'000
Turnover	2	1,025,449	1,075,393
Research and development expenditure		(962,423)	(1,043,843)
Operating profit	3	63,026	31,550
Amounts written off investments	9	(377)	-
Profit before interest and taxation		62,649	31,550
Interest receivable and similar income	4	2,432	3,332
Interest payable and similar charges	5	-	(8)
Profit on ordinary activities before taxation		65,081	34,874
Tax on profit on ordinary activities	6	1,639	12,268
Profit for the financial year	15	66,720	47,142

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

The Company has no recognised gains or losses during either the current year or the prior year other than those included in the results above and therefore no separate statement of recognised gains and losses has been presented

GlaxoSmithKline Research & Development Limited

**Balance sheet
as at 31 December 2012**

	Notes	2012 £'000	2011 £'000
Fixed assets			
Tangible assets	8	680,504	720,385
Investments	9	55	432
		680,559	720,817
Current assets			
Debtors	10	733,539	964,224
Creditors amounts falling due within one year	11	(449,138)	(759,390)
Net current assets		284,401	204,834
Total assets less current liabilities		964,960	925,651
Creditors amounts falling due after more than one year	11	(2,419)	(3,049)
Provisions for liabilities			
Other provisions	12	(24,058)	(30,599)
Deferred taxation liability	12, 13	(134,600)	(154,840)
Net assets		803,883	737,163
Capital and reserves			
Called up share capital	14	600,000	600,000
Profit and loss account	15	203,883	137,163
Total shareholders' funds	16	803,883	737,163

The financial statements on pages 5 to 16 were approved by the Board of Directors on 27 June 2013 and were signed on its behalf by



P F Blackburn
For and on behalf of Glaxo Group Limited - Director

GlaxoSmithKline Research & Development Limited

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

1 Accounting policies

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

(a) Basis of accounting

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

(b) Foreign currency transactions

Foreign currency transactions are booked in local currency at the exchange rate ruling on the date of the transaction. 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 loss.

(c) Turnover

Turnover is recognised in the profit and loss account when goods or services are supplied from the Company to other Group subsidiaries. Turnover represents the net invoice value, excluding value added tax and other sales taxes.

The Company acts as an agent in relation to the collecting and subsequent recharge of worldwide research and development costs from the worldwide research and development centres to the various intellectual property owners. The Company does not earn a fee or commission in return for provision of this service. Therefore, no turnover is recorded in the Company in respect of its activities as an agent.

(d) 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. Restructuring costs are recognised in respect of the direct expenditures of a business reorganisation where the plans are sufficiently detailed and well advanced, and where appropriate communication to those affected has been undertaken at the balance sheet date.

(e) Research and development

Research and development expenditure is charged to the profit and loss account in the year in which it is incurred. Tangible fixed assets used for research and development are depreciated in accordance with the Company policy.

(f) 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.

(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.

The costs of acquiring and developing computer software for internal use and internet sites for external use are capitalised as a tangible fixed asset where the software or site supports a significant business system and the expenditure leads to the creation of a durable asset.

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

Freehold buildings	20 to 50 years
Leasehold land and buildings	The shorter of lease term and 50 years
Plant and machinery	10 to 20 years
Research equipment	not exceeding 10 years
Fixtures and equipment	3 to 10 years
Computer software	3 to 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.

GlaxoSmithKline Research & Development Limited

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

(h) Fixed asset investments

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

(i) Impairment of fixed assets

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

(j) Asset retirement obligations

Asset retirement obligations are included within the cost of an asset on its initial purchase or construction if there is a legal obligation to incur the costs on retirement of the asset. The addition to the cost of the asset and the provision are measured by discounting the expected future cash outflows to present value. The asset cost arising from recognition of the asset retirement obligation is depreciated along with the rest of the asset over the expected useful life.

(k) Leases

Leasing agreements which transfer to the Company substantially all the benefits and risks of ownership of an asset are treated as finance leases, as if the asset had been purchased outright. The assets are included in tangible fixed assets and the capital element of the leasing commitment is shown as obligations under finance leases. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of the assets. The interest element of the lease rental is charged against profit.

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

(l) 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 from which the future reversal of underlying timing differences can be deducted.

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.

(m) Provisions for liabilities

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

(n) Pensions

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 pension scheme. Contributions are charged to the profit and loss account in the year to which they relate.

GlaxoSmithKline Research & Development Limited

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

2 Segmental information

Turnover represents service fees charged to Glaxo Group Limited and fellow subsidiary undertakings. The turnover attributable to Glaxo Group Limited, a Director of the Company, is £689,549,000 (2011 £830,391,000)

Analysis of turnover by location of customer

	2012 £'000	2011 £'000
United Kingdom	712,723	854,571
Ireland	69,198	48,868
Singapore	37,553	43,151
United States of America	205,975	128,803
	1,025,449	1,075,393

In the opinion of the Directors there is one class of business - the provision of Research and Development services

All turnover originates in the United Kingdom and all net assets and operations of the Company are located in the United Kingdom

The Company acts as an agent in relation to the collecting and subsequent recharge of worldwide research and development costs from the worldwide research and development centres to the various intellectual property owners. The Company does not earn a fee or commission in return for provision of this service. Therefore, no turnover is recorded in the Company in respect of its activities as an agent. In 2012, the Company's activities as an agent totalled £2,050,078,000 (2011 £2,176,360,000)

No analysis of segment result by region has been provided since the Company is not managed on such a basis. This type of analysis is not available and would not be meaningful to users of the financial statements

All other segmental information is included in the Annual Report of GlaxoSmithKline plc

3 Operating profit

	2012 £'000	2011 £'000
The following items have been charged/(credited) in operating profit		
Depreciation of tangible fixed assets		
Owned assets	78,929	89,337
Leased assets	241	1,143
Impairment of tangible fixed assets	2,018	48,592
Profit on disposal of fixed assets	(4)	(100)
Exchange gain on foreign currency transactions	(250)	(1,198)
Operating lease rentals		
Land and buildings	335	80
Plant, equipment and vehicles	-	5
Management fee	340,176	452,647
Recharge to other group entities	(340,176)	(452,647)
Audit fees		
Auditors' UK firm	154	169
Fees to auditors for other work		
Auditors' UK firm	20	4

GlaxoSmithKline Services Unlimited provides various services and facilities to the Company including finance and administrative services for which a management fee is charged. In the current year, GlaxoSmithKline Services Unlimited made a special contribution to the Group pension scheme of £366,576,000 (2011 £368,000,000) which has been allocated to the various UK operating companies in accordance with the management fee arrangement. This allocation resulted in a charge of £101,208,000 (2011 £104,751,000) in the current year which has in turn been recharged to certain other Group entities.

The charge for pension and other post-employment costs of the Group includes a credit of £395,000,000 following a change in policy relating to discretionary pension increases under certain UK pension schemes and the introduction of a limit on future pensionable pay increases in all UK pension schemes. This credit has been recharged to the various UK operating companies in accordance with the management fee arrangement. This allocation resulted in a credit of £109,056,000 in the current year which has in turn been recharged to certain other Group entities.

The net of the allocations above are recorded within the management fee

GlaxoSmithKline Research & Development Limited

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

4 Interest receivable and similar income

	2012 £'000	2011 £'000
On loans with Group undertakings	2,432	3,332

5 Interest payable and similar charges

	2012 £'000	2011 £'000
On finance leases	-	(8)

6 Tax on profit on ordinary activities

	2012 £'000	2011 £'000
Tax charge based on profit for the financial year		
Current tax		
UK corporation tax at 24.5% (2011: 26.5%)	15,557	14,800
Under provision in previous years	3,044	3,094
Total current tax	18,601	17,894
Deferred tax		
Origination and reversal of timing differences	(7,853)	(16,458)
Change in tax rate - impact on deferred tax	(12,387)	(13,704)
Total deferred tax	(20,240)	(30,162)
Tax on profit on ordinary activities	(1,639)	(12,268)

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

	2012 £'000	2011 £'000
Reconciliation of current tax charge		
Profit on ordinary activities at the UK statutory rate 24.5% (2011: 26.5%)	15,945	9,240
Effects of		
Other permanent differences	1,715	488
Research and development tax credit	(9,208)	(12,066)
Adjustments to tax charge in respect of previous years	3,044	3,094
Depreciation in excess of capital allowances	8,757	23,708
Other timing differences	(1,652)	(6,570)
Current tax charge for the year	18,601	17,894

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

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

The overall effect of the further changes from 23% to 20%, if these applied to the deferred tax balance at 31 December 2012, would be to reduce the deferred tax liability by approximately £18,000,000.

7 Dividends paid

	Pence per Share	£'000
Dividends paid in 2012		
Interim dividend	-	-
Dividends paid in 2011		
3 August 2011 Interim dividend paid	58.333	350,000

GlaxoSmithKline Research & Development Limited

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

8 Tangible assets

	Land and buildings £'000	Plant, equipment and Vehicles £'000	Assets in construction £'000	Computer software £'000	Total £'000
Cost					
At 1 January 2012	689,938	1,415,021	56,479	149,370	2,310,808
Additions	-	3,002	40,506	4,932	48,440
Capitalised borrowing cost	-	-	-	351	351
Assets written off	(2,596)	(78,954)	(1)	(3,321)	(84,872)
Asset retirement obligation	-	1,053	-	-	1,053
Disposals	-	(796)	-	-	(796)
Reclassifications	5,485	61,203	(66,866)	178	-
Asset held for sale	(6,031)	(9,048)	-	-	(15,079)
Intra-group transfer	(3,729)	(7,591)	621	-	(10,699)
Amendment to prior years	(26,398)	19,578	32,252	(23,958)	1,474
At 31 December 2012	656,669	1,403,468	62,991	127,552	2,250,680
Accumulated depreciation					
At 1 January 2012	(309,540)	(1,117,310)	-	(110,731)	(1,537,581)
Provision for the year	(9,083)	(63,656)	-	(6,431)	(79,170)
Assets written off	1,132	61,208	-	3,122	65,462
Disposals	-	657	-	-	657
Asset held for sale	3,563	9,048	-	-	12,611
Intra-group transfer	1,268	2,242	-	-	3,510
Amendment to prior years	(18,061)	16,318	-	249	(1,494)
At 31 December 2012	(330,721)	(1,091,493)	-	(113,791)	(1,536,005)
Impairment					
At 1 January 2012	(26,920)	(24,793)	-	(1,129)	(52,842)
Impairment loss	(107)	(6,167)	-	(105)	(6,379)
Impairment reversal	4,361	-	-	-	4,361
Assets written off	1,568	17,678	-	199	19,445
Disposals	-	8	-	-	8
Asset held for sale	1,217	-	-	-	1,217
Amendment to prior years	19	(415)	-	415	19
At 31 December 2012	(19,862)	(13,689)	-	(620)	(34,171)
Total depreciation and impairment at 31 December 2012	(350,583)	(1,105,182)	-	(114,411)	(1,570,176)
Net book value at 1 January 2012	353,478	272,918	56,479	37,510	720,385
Net book value at 31 December 2012	306,086	298,286	62,991	13,141	680,504

The net book value at 31 December 2012 of the Company's land and buildings comprises freehold properties £299,941,000 (at 1 January 2012 £347,478,000) and properties with leases of less than 50 years £6,145,000 (at 1 January 2012 £6,384,000)

Included in plant, equipment and vehicles at 31 December 2012 are leased assets with a cost of £4,300,000 (at 1 January 2012 £4,300,000) and accumulated depreciation of £4,300,000 (at 1 January 2012 £4,300,000)

The impairment loss of £6,379,000 (2011 £50,366,000) reflects £3,771,000 for Stevenage site waste incinerator, £1,264,000 for the DNA store based in Stevenage and £1,343,000 for other small R&D disposals. Impairment reversal of £4,361,000 (2011 £1,774,000) reflects £4,254,000 revaluation adjustment of Harlow site and £106,000 for other smaller R&D disposals

Net book value for assets held for sale of £1,251,000 (2011 £3,858,000) relates to Harlow 4th Avenue

The amendment to prior years corrects a previous misallocation between cost, accumulated depreciation and accumulated impairment losses. The net book value of fixed assets is unaffected by this amendment

GlaxoSmithKline Research & Development Limited

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

9 Fixed asset investments

	Equity investments £'000	Total £'000
Cost at 1 January 2012 and 31 December 2012	432	432
Impairment		
Impairment charge for the year	(377)	(377)
At 31 December 2012	(377)	(377)
Carrying value at 1 January 2012	432	432
Carrying value at 31 December 2012	55	55

Investment	Country of Incorporation	Class of share held	% holding	Carrying value £'000
Cellzome Inc	United States	Common	0.5	55
				55

The equity investment in Cellzome Inc for the Company remains at 0.5%, however during the year the Group's holding in Cellzome Inc increased from 19.98% to 100%. The increased holding was acquired by Glaxo Group Limited which is another Group undertaking.

As part of the acquisition accounting and valuation of the equity investment an impairment charge has been recorded to reduce the carrying value of Cellzome Inc.

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

10 Debtors

	2012 £'000	2011 £'000
Amounts due within one year		
Amounts owed by parent company	108,337	291,380
Amounts owed by Group undertakings	579,249	633,457
Other debtors	10,262	5,954
Prepayments and accrued income	23,428	29,700
	721,276	960,491
Amounts due after more than one year		
Prepayments and accrued income	12,263	3,733
	733,539	964,224

Amounts owed by parent company and Group undertakings are unsecured and receivable on demand.

GlaxoSmithKline Research & Development Limited

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

11 Creditors

	2012 £'000	2011 £'000
Amounts falling due within one year		
Trade creditors	59,736	78,753
Amounts owed to Group undertakings	285,234	573,181
Corporation tax	15,556	14,800
Other taxes and social security	5,288	5,867
Other creditors	40,616	46,050
Accruals and deferred income	42,708	40,739
	449,138	759,390
Amounts falling due after more than one year		
Other creditors	-	537
Accruals and deferred income	2,419	2,512
	2,419	3,049
	451,557	762,439

As at 31 December 2012, other creditors falling due after one year of £nil. As at 31 December 2011, other creditors falling due after one year of £537,000 are in respect of a collaboration between GlaxoSmithKline and the Immune Disease Institute whereby GlaxoSmithKline supports research efforts in return for access to the Intellectual Property rights. Accruals and deferred income falling due after more than one year comprises of grant income £2,419,000 (2011 £2,512,000) from the Medical Research Council in relation to the Addenbrookes facility in Cambridge which is being recognised over the term of the grant.

Amounts owed to Group undertakings are unsecured and repayable on demand.

The corporation tax creditor contains amounts which will be paid to fellow group companies.

12 Provisions for liabilities

	Deferred taxation £'000	Other provisions £'000	Total £'000
At 1 January 2012	154,840	30,599	185,439
Charge/(credit) for the year	(20,240)	12,675	(7,565)
Utilised	-	(19,216)	(19,216)
At 31 December 2012	134,600	24,058	158,658

Other provisions predominantly relate to severance costs under the Group's Operational Excellence Programme to the value of £21,997,000 (2011 £28,176,000). Management anticipates these provisions will be utilised in 2013.

GlaxoSmithKline Research & Development Limited

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

13 Deferred tax liability

	2012 £'000	2011 £'000
Accelerated capital allowances	141,401	163,868
Other net timing differences	(6,801)	(9,028)
	134,600	154,840

14 Called up share capital

	2012 Number of shares	2011 Number of shares	2012 £'000	2011 £'000
Authorised				
Ordinary Shares of £1 each (2011 £1 each)	600,000,000	600,000,000	600,000	600,000
Issued and fully paid				
Ordinary Shares of £1 each (2011 £1 each)	600,000,000	600,000,000	600,000	600,000

15 Reserves

	Profit and loss account £'000	Total reserves £'000
At 1 January 2012	137,163	137,163
Profit for the financial year	66,720	66,720
At 31 December 2012	203,883	203,883

16 Reconciliation of movements in shareholders' funds

	2012 £'000	2011 £'000
Profit for the financial year	66,720	47,142
Dividends	-	(350,000)
Net addition/(reduction) to shareholders' funds	66,720	(302,858)
Opening shareholders' funds	737,163	1,040,021
Closing shareholders' funds	803,883	737,163

GlaxoSmithKline Research & Development Limited

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

17 Commitments

	2012 £'000	2011 £'000
Capital commitments		
Contracted for but not provided in the financial statements		
Tangible fixed assets	27,186	19,533

A number of commitments were made in 2012 under licensing and other agreements. Payments become due if future 'milestones' are achieved. As some of these agreements relate to compounds in the early stages of development, milestone payments will continue for a number of years if the compounds move successfully through the development process. Generally the closer the product is to marketing approval the greater the possibility of success.

	2012 £'000	2011 £'000
The Company had annual commitments under non-cancellable operating leases expiring as follows		
Operating leases on land and buildings which expire		
Between one and five years	137	137
After five years	146	175
	283	312

18 Contingent liabilities

Group banking arrangement

The Company, together with fellow Group undertakings has entered into a Group banking arrangement with the Company's principal bank. The bank holds the right to pay and apply funds from any account of the Company to settle any indebtedness to the bank of any other party to this agreement. The Company's maximum potential liability as at 31 December 2012 is limited to the amount held on its accounts with the bank. No loss is expected to accrue to the Company from the agreement.

19 Employees

All personnel are remunerated by GlaxoSmithKline Services Unlimited and receive no remuneration from the Company. A management fee is charged by GlaxoSmithKline Services Unlimited for services provided to the Company.

	2012 £'000	2011 £'000
Employee costs		
Wages and salaries	240,475	247,697
Severance costs	1,350	(521)
Social security costs	27,677	26,360
Pension and other post retirement costs	47,424	47,363
Share based payments	27,835	25,869
	344,761	346,768

GlaxoSmithKline Research & Development Limited

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

19 Employees (Continue)

The average monthly number of persons employed by the Company (Including Directors) during the year	2012	2011
Research and development	3,314	3,655

The average monthly number of persons includes administration staff servicing research and development activities

GlaxoSmithKline Services Unlimited operates hybrid pension schemes for all of the Group's UK employees. These schemes include defined benefit arrangements where the assets are held independently of the Group's finances and which are funded partly by contributions from members and partly by contributions from GlaxoSmithKline Services Unlimited at rates advised by independent professionally qualified actuaries.

The Company accounts for pension costs in accordance with FRS 17 'Retirement benefits'. The management fee for GlaxoSmithKline Services Unlimited for employee services provided to the Company includes an element relating to the pension arrangements for the Group's UK employees calculated as if the arrangements were on a defined contribution basis. The underlying assets and liabilities of the schemes cover a number of UK undertakings and cannot readily be split between each Group undertaking on a consistent and reliable basis.

The management fee is charged by GlaxoSmithKline Services Unlimited for services provided to the Company which includes an element relating to share based payments as calculated under FRS 20 'Share based payments'.

Full details of the UK pension schemes and employee share schemes can be found in the Directors' report & financial statements of GlaxoSmithKline Services Unlimited for the year ended 31 December 2012.

20 Directors' remuneration

During the year the Directors of the Company, with the exception of the Corporate Directors, were remunerated as executives of the Group and received £147,000 remuneration in respect of their services to the Company (2011 £160,000). Corporate Directors received no remuneration during the year, either as executives of the Group or in respect of their services to the Company (2011 £nil).

21 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.

22 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 Glaxo Group Limited.

23 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.