

**GlaxoSmithKline Research & Development Limited**  
(Registered number: 835139)

**Directors' report and financial statements**

**for the year ended 31 December 2013**

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TW8 9GS  
England

**GlaxoSmithKline Research & Development Limited**

**Directors' report and financial statements**

**for the year ended 31 December 2013**

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**GlaxoSmithKline Research & Development Limited**  
**(Registered number: 835139)**

**Directors' report for the year ended 31 December 2013**

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

**Principal activities**

GlaxoSmithKline Research & Development Limited (the "Company") is a member of GlaxoSmithKline Group (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.

**Results and dividends**

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

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

**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  
Glaxo Group Limited  
Edinburgh Pharmaceutical Industries Limited  
I Tomlinson

Resigned on 18 February 2013

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.

**GlaxoSmithKline Research & Development Limited**  
**(Registered number: 835139)**

**Directors' report for the year ended 31 December 2013**

**Creditor payment policy**

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

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

The procedures include arrangements for accelerated payment of small suppliers.

**Payment performance**

Trade creditors at 31 December 2013 represented 124 days of annual purchases for the Company (2012: 189 days).

**Statement of Directors' responsibilities**

The Directors are responsible for preparing the Strategic report, 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.

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

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

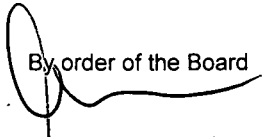
**Disclosure of information to auditors**

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

**Independent auditors**

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

By order of the Board

  
Paul Williamson  
For and on behalf of Edinburgh Pharmaceutical Industries Limited  
Corporate Director  
25 September 2014

## **GlaxoSmithKline Research & Development Limited**

### **Strategic report for the year ended 31 December 2013**

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

#### **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 £1,007,830,000 for the year to 31 December 2013 (2012: £1,025,449,000). Total research and development expenditure for the year amounted to £927,880,000 (2012: £962,423,000). The profit for the financial year, was £80,772,000 (2012: profit of £66,720,000). 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 financial year of £80,772,000 will be transferred to reserves (2012: profit for the year of £66,720,000 transferred to reserves).

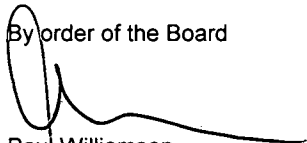
#### **Principal risks and uncertainties**

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, 'GlaxoSmithKline Research & Development Limited's (the "Company") Directors believe that a discussion of the Group's risks would not be appropriate for an understanding of the development, performance or position of the Company's business. The principal risks and uncertainties of the Group, which include those of the Company, are discussed in the Group's 2013 Annual Report which does not form part of this report.

#### **Key performance indicators (KPIs)**

The Directors of the Group manage the Group's operations on a business sector basis. For this reason, the Company's Directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the Company's business. The development, performance and position of the Group are discussed in the Group's 2013 Annual Report which does not form part of this report.

By order of the Board



Paul Williamson  
For and on behalf of Edinburgh Pharmaceutical Industries Limited  
Corporate Director  
25 September 2014

## **GlaxoSmithKline Research & Development Limited**

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

#### **Report on the financial statements**

##### **Our opinion**

**In our opinion the financial statements, defined below:**

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

##### **What we have audited**

The financial statements, which are prepared by GlaxoSmithKline Research & Development Limited, comprise

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

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

##### **What an audit of financial statements involves**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

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

In addition, we read all the financial and non-financial information in the Directors' report and Strategic report for the year ended 31 December 2013 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

##### **Opinion on other matter prescribed by the Companies Act 2006**

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

##### **Other matters on which we are required to report by exception**

###### *Adequacy of accounting records and information and explanations received*

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

## **GlaxoSmithKline Research & Development Limited**

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

#### *Directors' remuneration*

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

#### **Responsibilities for the financial statements and the audit**

##### *Our responsibilities and those of the Directors*

As explained more fully in the Statement of Directors' responsibilities set out on page 2, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

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

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
25 September 2014

**GlaxoSmithKline Research & Development Limited**

**Profit and loss account  
for the year ended 31 December 2013**

	Notes	2013 £'000	2012 £'000
<b>Turnover</b>	2	<b>1,007,830</b>	1,025,449
Research and development expenditure		<b>(927,880)</b>	(962,423)
<b>Operating profit</b>	3	<b>79,950</b>	63,026
Amounts written off investments	7	-	(377)
Profit before interest and taxation		<b>79,950</b>	62,649
Interest receivable and similar income	4	<b>18</b>	2,432
<b>Profit on ordinary activities before taxation</b>		<b>79,968</b>	65,081
Tax on profit on ordinary activities	5	<b>804</b>	1,639
<b>Profit for the financial year</b>	13	<b>80,772</b>	66,720

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.

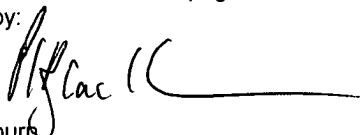


**GlaxoSmithKline Research & Development Limited**

**Balance sheet  
as at 31 December 2013**

	Notes	2013 £'000	2012 £'000
<b>Fixed assets</b>			
Tangible assets	6	674,948	680,504
Investments	7	55	55
		<b>675,003</b>	<b>680,559</b>
<b>Current assets</b>			
Debtors	8	780,658	733,539
<b>Creditors: amounts falling due within one year</b>	9	<b>(413,430)</b>	<b>(449,138)</b>
<b>Net current assets</b>		<b>367,227</b>	<b>284,401</b>
<b>Total assets less current liabilities</b>		<b>1,042,231</b>	<b>964,960</b>
<b>Creditors: amounts falling due after more than one year</b>	9	<b>(2,325)</b>	<b>(2,419)</b>
<b>Provisions for liabilities</b>			
Other provisions	10	(40,038)	(24,058)
Deferred taxation liability	10, 11	(115,213)	(134,600)
<b>Net assets</b>		<b>884,655</b>	<b>803,883</b>
<b>Capital and reserves</b>			
Called up share capital	12	600,000	600,000
Profit and loss account	13	284,655	203,883
<b>Total shareholders' funds</b>	14	<b>884,655</b>	<b>803,883</b>

The financial statements on pages 6 to 17 were approved by the Board of Directors on 25 September 2014 and were signed on its behalf by:



P F Blackburn

For and on behalf of Glaxo Group Limited - Director

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

**1 Accounting policies**

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

**(a) Basis of accounting**

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

**(b) Foreign currency transactions**

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

**(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. Development expenditure is capitalised when the criteria for recognising an asset are met, usually when a regulatory filing has been made in a major market and approval is considered highly probable. 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.

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

**(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. There are no provisions which are discounted.

**(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 2013

### 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 £nil (2012: £689,549,000).

Analysis of turnover by location of customer:

	2013 £'000	2012 £'000
United Kingdom	923,244	712,723
Ireland	45,037	69,198
Singapore	-	37,553
United States of America	39,549	205,975
	<b>1,007,830</b>	<b>1,025,449</b>

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 2013, the Company's activities as an agent totalled £2,066,610,000 (2012: £2,050,078,000).

IP owned by Singapore -Glaxo Wellcome Manufacturing Pte Limited (GWM) was transferred to the UK IP owner company GIPL in 2012. Therefore, from 2013 there are no charges from the Company to GWM as an IP owner. This also means that there is no turnover in relation to Singapore (GWM).

IP owned by US -GlaxoSmithKline LLC (GSK LLC) in relation to US pipeline assets are transferred to the UK IP owner company GIP2. GSK LLC remains the IP owner for US marketed products. This change has driven the reduction in US turnover in the current year.

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

	2013 £'000	2012 £'000
<b>The following items have been charged/(credited) in operating profit:</b>		
Depreciation of tangible fixed assets:		
Owned assets	71,027	78,929
Leased assets	241	241
Impairment of tangible fixed assets	975	2,018
Profit on disposal of fixed assets	(3,126)	(4)
Exchange losses/ (gains) on foreign currency transactions	824	(250)
Operating lease rentals:		
Land and buildings	297	335
Management fee	488,198	340,176
Recharge to other group entities	(488,198)	(340,176)
Audit fees		
Auditors' UK firm	196	154
Fees to auditors for other work		
Auditors' UK firm	26	20

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 £93,132,000 (2012: £366,576,000) which has been allocated to the various UK operating companies in accordance with the management fee arrangement. This allocation resulted in a charge of £nil (2012: £101,208,000) 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 £ nil (2012: £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 £ nil (2012: £109,056,000) in the current year which has in turn been recharged to certain other Group entities.

As the pension schemes are now in surplus it has been determined that it is no longer appropriate to continue making this charge to other UK operating companies.

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 2013

4 Interest receivable and similar income

	2013 £'000	2012 £'000
On loans with Group undertakings	18	2,432

5 Tax on profit on ordinary activities

	2013 £'000	2012 £'000
Tax credit based on profit for the financial year		

Current tax:

UK corporation tax at 23.25% (2012: 24.5%)	22,623	15,557
Under/(over) provision in previous years	(4,040)	3,044
Total current tax	18,583	18,601

Deferred tax:

Origination and reversal of timing differences	(3,366)	(7,853)
Adjustments in respect of previous years	1,766	-
Change in tax rate - impact on deferred tax	(17,787)	(12,387)
Total deferred tax	(19,387)	(20,240)

Tax on profit on ordinary activities	(804)	(1,639)
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The tax assessed for the year is higher (2012: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2013 of 23.25% (2012: 24.5%). The differences are explained below:

	2013 £'000	2012 £'000
Reconciliation of current tax charge		
Profit on ordinary activities at the UK statutory rate 23.25% (2012: 24.5%)	18,590	15,945
Effects of:		
Other permanent differences	1,860	1,715
Income not taxable		
Research and development tax credit	(2,164)	(9,208)
Adjustments to tax charge in respect of previous years	(4,040)	3,044
Depreciation in excess of capital allowances	(305)	8,757
Other timing differences	4,642	(1,652)
Current tax (credit) / charge for the year	18,583	18,601

GlaxoSmithKline Research & Development Limited

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

6 Tangible assets

	Land and buildings £'000	Plant, equipment and Vehicles £'000	Assets in construction £'000	Computer software £'000	Total £'000
<b>Cost</b>					
At 1 January 2013	656,669	1,403,468	62,991	127,552	2,250,680
Additions	-	4,599	57,603	2,207	64,409
Capitalised borrowing cost	-	-	-	1,858	1,858
Assets written off	54	(81,093)	-	(17,407)	(98,446)
Disposals	(20,040)	(60,433)	-	-	(80,473)
Reclassifications	22	19,171	(19,265)	72	-
Intra-group transfer	-	(176)	2	-	(174)
<b>At 31 December 2013</b>	<b>636,705</b>	<b>1,285,536</b>	<b>101,331</b>	<b>114,282</b>	<b>2,137,854</b>
<b>Accumulated depreciation</b>					
At 1 January 2013	(330,721)	(1,091,493)	-	(113,791)	(1,536,005)
Provision for the year	(10,011)	(51,491)	-	(9,765)	(71,267)
Assets written off	(863)	80,227	-	17,388	96,752
Disposals	17,891	60,118	-	-	78,009
Intra-group transfer	-	139	-	-	139
<b>At 31 December 2013</b>	<b>(323,704)</b>	<b>(1,002,500)</b>	<b>-</b>	<b>(106,168)</b>	<b>(1,432,372)</b>
<b>Impairment</b>					
At 1 January 2013	(19,862)	(13,689)	-	(620)	(34,171)
Impairment loss	(656)	(300)	-	(19)	(975)
Assets written off	3,727	866	-	19	4,612
<b>At 31 December 2013</b>	<b>(16,791)</b>	<b>(13,123)</b>	<b>-</b>	<b>(620)</b>	<b>(30,534)</b>
<b>Total depreciation and impairment at 31 December 2013</b>	<b>(340,495)</b>	<b>(1,015,623)</b>	<b>-</b>	<b>(106,788)</b>	<b>(1,462,906)</b>
<b>Net book value at 1 January 2013</b>	<b>306,086</b>	<b>298,286</b>	<b>62,991</b>	<b>13,141</b>	<b>680,504</b>
<b>Net book value at 31 December 2013</b>	<b>296,210</b>	<b>269,913</b>	<b>101,331</b>	<b>7,494</b>	<b>674,948</b>

The net book value at 31 December 2013 of the Company's land and buildings comprises freehold properties £290,304,000 (at 1 January 2013: £299,941,000) and properties with leases of less than 50 years £5,906,000 (at 1 January 2013: £6,145,000).

Included in plant, equipment and vehicles at 31 December 2013 are leased assets with a cost of £4,331,000 (at 1 January 2013: £4,331,000) and accumulated depreciation of £4,308,000 (at 1 January 2013: £4,306,000) and a net book value of £23,000 (at 1 January 2013: £25,000).

The impairment loss of £975,000 (2012: £6,379,000) reflects £540,000 for Stevenage site, £195,000 for Harlow, £171,000 for Tonbridge, £41,000 for Ware and £28,000 relates to others sites.

Net book value of assets held for sale is £nil (2012: £1,251,000).

GlaxoSmithKline Research & Development Limited

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

7 Fixed asset investments

	Equity investments £'000	Total £'000		
Cost at 1 January 2013 and 31 December 2013	432	432		
Impairment at 1 January 2013 and 31 December 2013	(377)	(377)		
Carrying value at 1 January 2013 and 31 December 2013	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%. During 2012, 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 was recorded in 2012 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.

8 Debtors

	2013 £'000	2012 £'000
<b>Amounts due within one year</b>		
Amounts owed by parent company	-	108,337
Amounts owed by Group undertakings	742,988	579,249
Other debtors	4,099	10,262
Prepayments and accrued income	20,415	23,428
	767,502	721,276
<b>Amounts due after more than one year</b>		
Prepayments and accrued income	13,156	12,263
	780,658	733,539

Amounts owed to Group undertakings include call account balance with GlaxoSmithKline Finance plc which is unsecured with interest charged at 0.01% per annum and repayable on demand.

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

GlaxoSmithKline Research & Development Limited

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

9 Creditors

	2013 £'000	2012 £'000
<b>Amounts falling due within one year</b>		
Trade creditors	77,202	59,736
Amounts owed to parent company	146	-
Amounts owed to Group undertakings	219,477	285,234
Corporation tax	12,697	15,556
Other taxes and social security	6,625	5,288
Other creditors	50,323	40,616
Accruals and deferred income	46,960	42,708
	<b>413,430</b>	<b>449,138</b>
<b>Amounts falling due after more than one year</b>		
Accruals and deferred income	2,325	2,419
	<b>415,755</b>	<b>451,557</b>

Accruals and deferred income falling due after more than one year comprises of grant income £2,325,000 (2012: £2,419,000) 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, interest free and repayable on demand.

10 Provisions for liabilities

	Deferred taxation £'000	Other provisions £'000	Total £'000
At 1 January 2013	134,600	24,058	158,658
Charge/(credit) for the year	(19,387)	30,114	10,727
Utilised	-	(14,134)	(14,134)
At 31 December 2013	115,213	40,038	155,251

Other provisions predominantly relate to severance costs under the Group's Operational Excellence Programme to the value of £26,116,000 (2012: £21,997,000) and to Pipeline Award provision of £13,122,000 (2012: £nil). The majority of the Group's Operational Excellence Programme is expected to be utilised in 2014, however the site related disposal costs are expected to be utilised by 2017. Management anticipates the Pipeline Awards provision will be used by 2019.



GlaxoSmithKline Research & Development Limited

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

**11 Deferred tax liability**

	2013 £'000	2012 £'000
Accelerated capital allowances	123,523	141,401
Other net timing differences	(8,310)	(6,801)
	<b>115,213</b>	<b>134,600</b>

Of the above categories of provided deferred taxation, other timing differences are current.

Deferred tax liability	Total £'000
At 1 January 2013	134,600
Credit for the year	(19,387)
At 31 December 2013	<b>115,213</b>

**12 Called up share capital**

	2013 Number of shares	2012 Number of shares	2013 £'000	2012 £'000
<b>Authorised</b>				
Ordinary Shares of £1 each (2012: £1 each)	600,000,000	600,000,000	600,000	600,000
<b>Issued and fully paid</b>				
Ordinary Shares of £1 each (2012: £1 each)	600,000,000	600,000,000	600,000	600,000

**13 Reserves**

	Profit and loss account £'000	Total reserves £'000
At 1 January 2013	203,883	203,883
Profit for the financial year	80,772	80,772
At 31 December 2013	<b>284,655</b>	<b>284,655</b>

**14 Reconciliation of movements in shareholders' funds**

	2013 £'000	2012 £'000
Profit for the financial year	80,772	66,720
Opening shareholders' funds	803,883	737,163
Closing shareholders' funds	<b>884,655</b>	<b>803,883</b>

**GlaxoSmithKline Research & Development Limited**

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

**15 Commitments**

	2013 £'000	2012 £'000
<b>Capital commitments</b>		
Contracted for but not provided in the financial statements		
Tangible fixed assets	34,842	27,186
	2013 £'000	2012 £'000
<b>The Company had annual commitments under non-cancellable operating leases expiring as follows:</b>		
Operating leases on land and buildings which expire:		
Between one and five years	146	137
After five years	146	146
	292	283

**16 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 2013 is limited to the amount held on its accounts with the bank. No loss is expected to accrue to the Company from the agreement.

**17 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.

	2013 £'000	2012 £'000
<b>Employee costs</b>		
Wages and salaries	263,223	240,475
Severance costs	22,185	1,350
Social security costs	30,293	27,677
Pension and other post retirement costs	47,620	47,424
Share based payments	30,565	27,835
	393,886	344,761

## GlaxoSmithKline Research & Development Limited

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

#### 17 Employees (Continue)

The average monthly number of persons employed by the Company (including Directors) during the year	2013	2012
Research and development	3,235	3,314

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 2013.

#### 18 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 £280,000 remuneration in respect of their services to the Company (2012: £147,000). Corporate Directors received no remuneration during the year, either as executives of the Group or in respect of their services to the Company (2012: £nil).

#### 19 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.

#### 20 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.

#### 21 Related party transactions

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