GlaxoSmithKline Intellectual Property Development Limited
(Registered number: 08283222)

Annual Report
for the year ended 31 December 2019

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

GlaxoSmithKline Intellectual Property Development Limited
(Registered number: 08283222)

Annual Report
for the year ended 31 December 2019

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GlaxoSmithKline Intellectual Property Development Limited
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Strategic report for the year ended 31 December 2019

The Directors present their Strategic report on GlaxoSmithKline Intellectual Property Development 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 Company's principal activities are the development, enhancement, maintenance, protection and exploitation of intellectual property assets owned by the Company which may include but is not limited to, licensing out intellectual property rights relating to pharmaceutical products to the Group companies and carrying out research and development activities. The Directors do not envisage any change to the nature of the business in the foreseeable future.

Review of business

The Company made a loss for the financial year of £2,058,336,000 (2018: loss of £1,456,021,000). This is due to a significant portion of the portfolio being in development stage. The Directors are of the opinion that the portfolio will become profitable in the future and that the current level of activity is sustainable, and will improve in the future. The Company also made a gross loss in the current year of £17,672,000 (2018: gross profit of £379,025,000). This is equally due to a significant portion of the portfolio being in development stage. The reason the Company made a one-off gross profit in the prior financial year was due to specific one-off activities in that period. Additionally, the Directors have also received confirmation that GSK Finance plc intends to support the Company for the foreseeable future after these financial statements are signed. Therefore, the Directors are of the opinion that the Company remains a going concern.

The loss for the financial year of £2,058,336,000 will be transferred from reserves (2018: Loss of £1,456,021,000 transferred from reserves).

Principal risks and uncertainties

The Directors of the Company manage the functions, assets and risks related to the intellectual property assets owned by the Company on a business sector, therapy area and stage of product life cycle basis. The principal functions, risks and uncertainties related to the development, enhancement, maintenance, protection and exploitation of intellectual property assets owned by the Group, which include those of the Company, are discussed in the Group's 2019 annual report. Please refer to the 2019 Group Report, which does not form part of this report, to ensure a complete understanding of the principal risks and uncertainties of the Group, and therefore the Company.

Key performance indicators (KPIs)

The Directors of the Company manage the functions, assets and risks related to the intellectual property assets owned by the Company on a business sector, therapy area and stage of product life cycle basis. Therefore, 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.

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

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 trade route performance 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. 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 event

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.

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.

On behalf of the Board

A. Walker

Adam Walker
Director
15 October 2020

GlaxoSmithKline Intellectual Property Development Limited
(Registered number: 08283222)

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 statement of comprehensive income on page 9.

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

Research and development

The Company is responsible for instigating research and development ("R&D") activities, which are carried out by GlaxoSmithKline Research & Development Limited and other Group undertakings. The expenses from these activities includes amounts re-charged from other Group undertakings. In addition, the Company has entered into a number of in-licensing initiatives that have strengthened the R&D pipeline.

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	
Jerome Andries	
Adam Walker	
Kate Priestman	
James Wheatcroft	(appointed on 1 July 2019)
Simon Dingemans	(resigned on 1 May 2019)

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 benefits from an indemnity given by the Company under its articles of association. This indemnity is in respect of liabilities incurred by the Director in the execution and discharge of their duties.

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

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 period.

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, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 and 2:

- principal activities and future developments;
- review of business;
- principal risks and uncertainties;
- key performance indicators;
- approach to Brexit;
- risks associated with the coronavirus outbreak;
- post balance sheet event; 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.

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.

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 are 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

Having assessed the principal risks and other matters, including the potential impact of the COVID-19 pandemic, the Directors are of the opinion that the current level of activity remains sustainable. In relation to the challenges that arise from the COVID-19 pandemic, the considerations have included potential risks to demand and operational risks to supply throughout trade routes. The Directors have taken into account that as part of the Group, the Company has already received the necessary letter of support from GlaxoSmithKline Finance plc and can take actions to ensure business continuity through operational channels, as well as the ability to manage variable costs. On the basis of those considerations, the Directors believe that it remains appropriate to adopt the going concern basis of accounting in preparing the financial statements. The Directors are of the opinion that the portfolio will become profitable in the future and that the current level of activity is sustainable and will improve in the future.

Independent auditor

Deloitte LLP were appointed to act as the Company's auditor pursuant to section 485(3) Companies Act 2006. Deloitte LLP were then appointed by the members at a general meeting during the year in accordance with s485(4) Companies Act 2006.

On behalf of the Board

A. Walker

Adam Walker
Director
15 October 2020

GlaxoSmithKline Intellectual Property Development Limited
(Registered number: 08283222)

Independent auditor's report to the members of GlaxoSmithKline Intellectual Property Development Limited

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of GlaxoSmithKline Intellectual Property Development 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 statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 25.

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.

Conclusions relating to going concern
We have reviewed the directors' disclosures in the financial statements about whether they consider it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the Company, its business model and related risks including where relevant the impact of COVID-19, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the Directors' assessment of the Company's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the Directors' plans for future actions in relation to their going concern assessment.

We are required by ISAs (UK) to report in respect of the following matters where:
- the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Independent auditor's report to the members of GlaxoSmithKline Intellectual Property Development Limited (continued)

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.

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 directors report.

Independent auditor's report to the members of GlaxoSmithKline Intellectual Property Development Limited (continued)

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.

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.

Deloitte LLP
Statutory Auditor
Reading, United Kingdom
15 October 2020

GlaxoSmithKline Intellectual Property Development Limited
(Registered number: 08283222)

Statement of comprehensive income
for the year ended 31 December 2019

	Notes	**2019 £'000**	2018 £'000
Turnover	4	**432,766**	911,754
Cost of sales		**(450,438)**	(532,729)
Gross profit		**(17,672)**	379,025
Administrative expenses		**(51,986)**	(185,089)
Research and development expenditure		**(2,250,387)**	(2,026,060)
Other operating expenses		**(133,380)**	(112,473)
Gain on disposal of intangible assets		**59,881**	251,564
Operating loss	5	**(2,393,544)**	(1,693,033)
Loss before interest and taxation		**(2,393,544)**	(1,693,033)
Finance income	7	**126**	-
Finance expense	8	**(114,460)**	(86,774)
Loss before taxation		**(2,507,878)**	(1,779,807)
Taxation	9	**449,542**	323,786
Loss for the year		**(2,058,336)**	(1,456,021)

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

The Company has no other comprehensive income during either the current year or prior year and therefore no separate statement to present other comprehensive income has been prepared.

GlaxoSmithKline Intellectual Property Development Limited
(Registered number: 08283222)

Balance sheet
at 31 December 2019

	Notes	2019 £'000	2018 £'000
Non-current assets			
Intangible assets	10	**478,428**	395,381
Financial assets at fair value through profit or loss	11	**26,969**	26,969
Deferred tax assets	9	**420,283**	353,103
Contingent consideration asset	12	**26,000**	-
Total non-current assets		**951,680**	775,453
Current assets			
Trade and other receivables	13	**405,992**	583,669
Corporation tax		**287,875**	285,700
Prepayments and accrued income	14	**2,695**	6,075
Cash and cash equivalents		**-**	42
Contingent consideration asset	12	**2,000**	-
Total current assets		**698,562**	875,486
Total assets		**1,650,242**	1,650,939
Current liabilities			
Trade and other payables	16	**(13,588,465)**	(11,586,231)
Derivative financial instruments	15	**(469)**	-
Accruals and deferred income	17	**(119,445)**	(101,211)
Provisions for liabilities within one year	18	**(48,334)**	(12,850)
Total current liabilities		**(13,756,713)**	(11,700,292)
Net current liabilities		**(13,058,151)**	(10,824,806)
Total assets less current liabilities		**(12,106,471)**	(10,049,353)
Non-current liabilities			
Provisions for liabilities	18	**(14,052)**	(12,834)
Total liabilities		**(13,770,765)**	(11,713,126)
Net liabilities		**(12,120,523)**	(10,062,187)
Equity			
Share capital	19	**-**	-
Other reserves	20	**396,800**	396,800
Accumulated losses		**(12,517,323)**	(10,458,987)
Shareholder's deficit		**(12,120,523)**	(10,062,187)

The financial statements on pages 9 to 28 were approved by the Board of Directors on 15 October 2020 and signed on its behalf by:

A Walker
Director

GlaxoSmithKline Intellectual Property Development Limited
(Registered number: 08283222)

Statement of changes in equity
for the year ended 31 December 2019

	Share capital £'000	Other reserves £'000	Accumulated losses £'000	Total £'000
At 1 January 2018	-	396,800	(9,002,966)	**(8,606,166)**
Loss for the year and total comprehensive loss for the year	-	-	(1,456,021)	**(1,456,021)**
At 31 December 2018	**-**	**396,800**	**(10,458,987)**	**(10,062,187)**
Loss for the year and total comprehensive loss for the year	-	-	(2,058,336)	**(2,058,336)**
At 31 December 2019	**-**	**396,800**	**(12,517,323)**	**(12,120,523)**

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 UK (England). The address of the registered office is 980 Great West Road, Brentford, Middlesex, TW8 9GS.

The principal activities of the Company are development, enhancement, maintenance, protection and exploitation of intellectual property assets owned by the Company which may include but are not limited to, licensing out intellectual property rights relating to pharmaceutical products to the Group and carrying out research and development activities.

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").

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

The financial statements are presented in Pounds Sterling.

Going concern

Having assessed the principal risks and other matters, including the potential impact of the COVID-19 pandemic, the Directors are of the opinion that the current level of activity remains sustainable. In relation to the challenges that arise from the COVID-19 pandemic, the considerations have included potential risks to demand and operational risks to supply throughout trade routes. The Directors have taken into account that as part of the Group, the Company has already received the necessary letter of support from GlaxoSmithKline Finance plc and can take actions to ensure business continuity through operational channels, as well as the ability to manage variable costs. On the basis of those considerations, the Directors believe that it remains appropriate to adopt the going concern basis of accounting in preparing the financial statements. The Directors are of the opinion that the portfolio will become profitable in the future and that the current level of activity is sustainable and will improve in the future.

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';

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Disclosure exemptions adopted (continued)

- 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
- 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.

2 Summary of significant accounting policies (continued)

(b) Ultimate and immediate parent undertakings

The Company is a wholly owned subsidiary of the ultimate parent company. 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 GlaxoSmithKline Intellectual Property Management Limited. These financial statements are separate financial statements.

(c) 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 statement of comprehensive income. The functional and presentation currency of the Company is Pounds Sterling.

(d) Turnover

The Company recognises turnover on the residual amount after accounting for all external income and expenses and intercompany expenses related to the supply and management of the pharmaceutical products for which it owns the intellectual property rights, and license income from other Group undertakings and third parties. The Company has authorised the supply and management of the pharmaceutical products to other Group companies which act as principal in the overall process. The residual return is therefore recognised on a net basis. If the residual amount is an income, it is recorded in turnover. If the residual amount is a loss, it is recorded in cost of sales.

The residual return is a result of the overall supply and management of pharmaceutical products for combined output and not separately identifiable, hence it is considered a single performance obligation.

Turnover is recognised overtime as the supply and management of the pharmaceutical products is being performed, when the performance obligations are being fulfilled.

The Company enters into development and marketing collaborations and out-licenses of the Company's compounds or products to external parties or other Group companies. These contracts give rise to fixed and variable consideration from royalties. Sales-based royalties on a license of intellectual property are not recognised until the relevant product sale occurs. Royalty income is recognised in turnover and royalty expenses are recognised in cost of sales.

(e) 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.

(f) Research and development

Research and development expenditure is charged to the statement of comprehensive income 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.

2 Summary of significant accounting policies (continued)

(g) Royalty income and expenses

The Company enters into development and marketing collaborations and out-licenses of the Company's compounds or products to other parties or other Group subsidiaries. These contracts give rise to fixed and variable consideration from royalties. Sales-based royalties on a license of intellectual property are not recognised until the relevant product sale occurs. Royalty income is recognised in turnover and royalty expenses are recognised in cost of sales.

(h) Finance income and expense

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

(i) Intangible assets

Intangible assets are stated at cost less a provision for amortisation and impairment.

Licences and patent rights separately acquired are amortised over their estimated useful lives generally not exceeding 20 years, using the straight-line basis, from the time they are available for use. The estimated useful lives for determining the amortisation charge take into account patent lives, where applicable, as well as the value obtained from periods of non-exclusivity. Asset lives are reviewed, and where appropriate adjusted, annually. Contingent milestone payments are recognised at the point that the contingent event becomes probable. Any development costs incurred by the Company and associated with acquired licences and patent rights are written off to the statement of comprehensive income when incurred, unless the criteria for recognition of an internally generated intangible asset are met, usually when a regulatory filing has been made in a major market and approval is considered highly probable.

(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) 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.

(l) 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. Additionally, intangible assets with indefinite useful lives and intangible assets which are not yet available for use are tested for impairment annually. Any provision for impairment is charged to the statement of comprehensive income in the year concerned.

Impairment losses on 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.

2 Summary of significant accounting policies (continued)

(m) 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 Company 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 Company 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 statement of comprehensive income.

Subsequent recoveries of amounts previously provided for are credited to statement of comprehensive income.

(n) 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. In the balance sheet, bank overdrafts are shown with in borrowings in current liabilities.

(o) 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.

(p) 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.

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 using rates of tax that have been enacted or substantively enacted by the balance sheet date.

(q) 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.

2 Summary of significant accounting policies (continued)

(r) Derivative financial instruments and hedging

Derivative financial instruments are used to manage exposure to market risks. The principal derivative instruments used by the Company are foreign currency swaps. The Company does not hold or issue derivative financial instruments for trading or speculative purposes.

Derivative financial liabilities are classified as held-for trading and are measured at fair value. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the statement of comprehensive income.

Changes in the fair value of derivatives designated as fair value hedges are recorded in the statement of comprehensive income, together with the changes in the fair value of the hedged asset or liability.

(s) *Share capital*

Ordinary shares are classified as equity.

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 following are considered to be the critical accounting judgements and key sources of estimation uncertainty made.

Estimates

(a) Deferred Tax Asset

Management has considered whether there is sufficient evidence of probable future taxable profit, and has estimated the recoverability of deferred tax assets recognised in respect of historic losses. The deferred tax asset of £420 million comprises tax losses incurred prior to 1 April 2017 (£135 million) and tax losses incurred subsequent to 1 April 2017 (£285 million).

Under current UK tax rules, losses incurred prior to 1 April 2017 can be carried forward each accounting period until utilised against future profits from the same trade of the entity, and can only be utilised against a maximum of 50% of the taxable profit of the entity in any accounting period. These losses cannot be surrendered to other group companies through group relief. Expected future profits have been modelled to estimate the portfolio's life cycle with forecast taxable profits starting to be generated in the later years of the ten year plan. Based on the forecast data, management expect there to be sufficient taxable profits generated by the company in future periods for the deferred tax asset related to the pre 1 April 2017 loss pool to be fully utilised. Given the uncertainty associated with forecasting performance of development assets over this period, management considers the recoverability of these assets to be a key source of estimation uncertainty.

Given the profitability profile of the wider UK group and the ability to surrender losses incurred after 1 April 2017 to other group companies, the post 1 April 2017 losses are not considered a key estimate.

(b) Legal and other disputes

Management makes a judgement of whether there is sufficient information to be able to make a reliable estimate of the likely outcome of the dispute and legal and other expenses arising from claims against the Company. If insufficient information is available, no provision is made and disclosure of the claim is given.

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

Estimates (continued)

(b) Legal and other disputes (continued)

The estimated provisions take into account the specific circumstances of each dispute and relevant external advice, are inherently judgemental and could change substantially over time as each dispute progresses and new facts emerge. Details of the status and various uncertainties involved in the significant unresolved disputes are set out in Note 18 "Provisions for liabilities".

The company's Directors, having taken legal advice, have established provisions after taking into account the relevant facts and circumstances of each matter and in accordance with accounting requirements. In respect of product liability claims related to certain products there is sufficient history of claims made and settlements to enable management to make a reliable estimate of the provision required to cover unasserted claims. The Company may become involved in legal proceedings, in respect of which it is not possible to make a reliable estimate of the expected financial effect, if any, that could result from ultimate resolution of the proceedings. In these cases, appropriate disclosure about such cases would be provided, but no provision would be made and no contingent liability can be quantified.

The ultimate liability for legal claims may vary from the amounts provided and is dependent upon the outcome of litigation proceedings, investigations and possible settlement negotiations. The position could change over time and, therefore, there can be no assurance that any losses that result from the outcome of any legal proceedings will not exceed the amount of the provisions reported in the Company's financial statements by a material amount.

4 Turnover

Analysis of turnover by geography:

	2019 £'000	2018 £'000
UK	**432,766**	911,754

Turnover relates to the receipt of a distribution return from the manufacture and distribution of pharmaceutical product for which the Company owns the intellectual property rights, and license income from other Group undertakings and third parties. Where the distribution return is an income, it is categorised as turnover. Distribution losses are recorded in Cost of Sales.

Analysis of turnover by category:

	2019 £'000	2018 £'000
Royalties and licence income	**432,766**	911,754

5 Operating loss

	2019 £'000	2018 £'000
The following items have been charged / (credited) in operating loss:		
Amortisation of intangible assets (Note 10)	**32,334**	33,697
Research and development expenditure	**2,250,387**	2,026,060
Distribution loss from manufacture and distribution of pharmaceutical products	**206,616**	303,448
Exchange (gains)/losses on foreign currency transactions	**(6,510)**	3,846
Net charge of provisions (Note 18)	**49,163**	14,825
Management fee	**25**	21
Movement of fair value of contingent consideration asset	**(28,000)**	-
Impairment of intangible assets (Note 10)	**26,562**	22,750
Impairment reversal for the year (Note 10)	**(14,051)**	-
Gain on disposal of Intellectual Property	**(59,881)**	(251,564)

GlaxoSmithKline Services Unlimited provides various services and facilities to the Company including finance and administrative services which are recharged at cost plus an appropriate arm's length mark up where relevant. Included in the management fee is a charge for auditor's remuneration £11,500 (2018: £11,500).

The Company recognised a gain of £59,881,000 (2018: £251,564,000) from the disposal of certain intellectual property rights.

The impairment charge of £26,562,000 (2018: £22,750,000) relates to the adjustment in the carrying value of the intellectual property following either a failure in clinical trials, the abandonment of the underlying asset and/or changes in the profitability forecasts for the underlying asset.

During the year, an impairment charge of £14,051,000 for Epizyme from prior year was reversed due to change in commercial assumptions in the year in both sales forecasts and cost assumptions with a resulting increase in fair value less costs of disposal of the asset.

6 Employees

GlaxoSmithKline Services Unlimited is the legal employer of all UK Group employees providing service to the Company. It charges the costs of employees at cost to the economic employers of the employees across the UK Group (2018: nil).

To enable the Directors of the Company to develop, enhance, maintain, protect and exploit the intellectual property assets owned by the Company, delegated authority is given to a number of strategic and operational Boards and teams across the Group in the UK by the Directors. A proportion of the employee costs relating to these Boards and teams are recharged from GlaxoSmithKline Services Unlimited at cost to the intellectual property owners in the Group, including the Company.

7 Finance income

	2019 £'000	2018 £'000
On loans with Group undertakings	**11**	-
Swap interest expenses	**115**	-
Total finance income	**126**	-

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

8 Finance expense

	2019 £'000	2018 £'000
Bank charges	(11)	-
On loans with Group undertakings	(114,449)	(86,774)
Total finance expense	(114,460)	(86,774)

9 Taxation

Income tax credit on loss	2019 £'000	2018 £'000
Current tax:		
UK corporation tax	(234,280)	(211,857)
Adjustments in respect of previous years	(148,082)	102,994
Total current tax	(382,362)	(108,863)
Deferred tax:		
Origination and reversal of timing differences	(220,163)	(133,941)
Adjustments in respect of previous years	152,983	(80,982)
Total deferred tax	(67,180)	(214,923)
Total tax credit for the year	(449,542)	(323,786)

The tax assessed for the year is higher than (2018: lower 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:

Reconciliation of total tax credit	2019 £'000	2018 £'000
Loss before taxation	(2,507,878)	(1,779,807)
Loss on ordinary activities at the UK standard rate 19.00% (2018: 19.00%)	(476,497)	(338,163)
Effects of:		
Income not taxable	(3,847)	(23,391)
Adjustments to tax change in respect of previous years	4,901	22,012
Impact of tax rate difference	25,901	15,756
Total tax credit for the year	(449,542)	(323,786)

Factors that may affect future tax rates:
A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset as at 31 December 2019 has been calculated based on this rate. 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. This will increase the company's future current tax charge accordingly and increase the deferred tax asset by £49,444,793.

9 Taxation (continued)

Movement in deferred tax assets

	Total £'000
At 1 January 2018	138,180
Credit for the year	214,923
At 31 December 2018	353,103
Credit for the year	67,180
At 31 December 2019	420,283

Recognised tax losses relate to trading losses in 2014, 2016 and 2017.

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

	2019 £'000	2018 £'000
Deferred tax assets classified as non-current assets	420,283	353,103

The Company is loss making and is recognising a deferred tax asset on accumulated losses.

10 Intangible assets

	Licences and patents £'000
Cost	
At 1 January 2019	969,342
Additions	128,667
Disposals	(775)
At 31 December 2019	1,097,234
Accumulated amortisation	
At 1 January 2019	(174,912)
Charge for the year (Note 5)	(32,334)
At 31 December 2019	(207,246)
Accumulated impairment	
At 1 January 2019	(399,049)
Charge for the year (Note 5)	(26,562)
Reversal for the year (Note 5)	14,051
At 31 December 2019	(411,560)
Total amortisation and impairment at 31 December 2019	(618,806)
Net book value at 1 January 2019	395,381
Net book value at 31 December 2019	478,428

The additions include £106,075,000 (2018: £59,000,000) additions from third parties outside of the Group.

Development costs capitalised from internal research and development expenditure during the year are £22,592,000 (2018: £25,589,000). The period over which these costs are to be written down is the estimated useful life of the asset. The costs have been capitalised as the probability of obtaining regulatory approval for successful product launch on a territory specific basis is highly probable.

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

10 Intangible assets (continued)

The impairment charge of £26,562,000 (2018: £22,750,000) relates to the adjustment in the carrying value of intellectual property following either a failure in clinical trials, the abandonment of the underlying asset and/or changes in the profitability forecasts for the underlying assets.

During the year, an impairment charge of £14,051,000 for Epizyme from prior year was reversed due to change in commercial assumptions in the year in both sales forecasts and cost assumptions with a resulting increase in fair value less costs of disposal of the asset.

Intangible asset impairments are recorded within the statement of comprehensive income.

11 Financial Asset at Fair Value through profit or loss

	Financial assets £'000
Cost	
At 1 January 2019 and 31st December 2019	**26,969**

Financial assets comprise unlisted investments of £27m.

12 Contingent consideration asset

	2019 £'000	2018 £'000
Amounts falling due within one year	**2,000**	-
Amounts falling due after more than one year	**26,000**	-

The amount represents contingent consideration asset (CCA) receivable on the transfer of intellectual property to ViiV Healthcare UK (No.6) Limited and subsequent re-measurements of CCA. Contingent consideration for the transfer of HIV Discovery Performance Unit ("DPU") in October 2019 is expected to be received over several years and is contingent on the assets transfer achieving development and commercial sales milestones with further consideration contingent on sales performance of ViiV Healthcare UK (No.6) Limited. The Company recognises an asset in respect of this contingent consideration which is reported at fair value and re-measured at each reporting date to reflect any changes in expectation of the timing or amount of consideration to be receive. The contingent consideration is valued using Level 3 valuation techniques in accordance with the requirements of IFRS 13 'Fair Value Measurements'. A corresponding income of £28,000,000 has been recorded for the financial period ending 31 December 2019 within other operating income.

13 Trade and other receivables

	2019 £'000	2018 £'000
Amounts due within one year		
Trade receivables	**3,092**	-
Amounts owed by Group undertakings	**396,360**	579,443
Other receivables	**6,540**	4,226
	405,992	583,669

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.

14 Prepayments and accrued income

	2019 £'000	2018 £'000
Amounts due within one year	**2,695**	6,075

Prepayments falling due within one year relate to royalties and clinical trail expenditure paid in advance to third parties on in-licensed products.

15 Derivative financial instruments

The Company has forward foreign exchange contracts with the following fair values at the end of the year:

	2019		2018	
	Assets £'000	**Liabilities £'000**	Assets £'000	Liabilities £'000
Forward foreign exchange contracts - USD	**-**	**(469)**	-	-

The notional principal amounts of the outstanding derivative instruments at 31 December 2019 were $60,331,000 (2018: $nil).

The Company entered into forward foreign currency contracts to mitigate the exchange rate risk of foreign currency exposure on certain foreign currency transactions of the Company.

The forward foreign currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The valuations of forward exchange contracts are based on the present value of net contractual cash flows using market sourced data (exchange rates).

16 Trade and other payables

	2019 £'000	2018 £'000
Amounts falling due within one year		
Trade payables	**15,034**	7,371
Amounts owed to Group undertakings	**13,572,656**	11,578,343
Other payables	**775**	517
	13,588,465	11,586,231

The amounts owed to Group undertakings are unsecured, interest free and repayable on demand except for a call account balance with GlaxoSmithKline Finance plc of £11,968 million (2018: £11,195 million) and GlaxoSmithKline IHC Limited of £1,326 million (2018: £nil) which is unsecured with interest charged at LIBOR rate plus 0.25% per annum (2018: LIBOR rate plus 0.25% per annum) and repayable on demand.

17 Accruals and deferred income

	2019 £'000	2018 £'000
Amounts falling due within one year	**119,445**	101,211

Accruals falling due within one year relate to royalties payable to third parties.

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

18 Provisions for liabilities

The Company had the following provisions during the year:

	Product liability £'000	Other provision £'000	Total £'000
At 1 January 2018	-	12,400	12,400
Charge for the year	-	25,693	25,693
Utilised	-	(1,541)	(1,541)
Reversal	-	(10,868)	(10,868)
At 31 December 2018	-	25,684	25,684
At 1 January 2019	-	25,684	25,684
Charge for the year	51,470	1,218	52,688
Utilised	-	(10,825)	(10,825)
Reversal	-	(3,525)	(3,525)
Exchange differences	(1,636)	-	(1,636)
At 31 December 2019	49,834	12,552	62,386

Product liability provision

The product liability relates to royalty damages for products Relvar and Vectura.

The Company is involved in a number of legal and other disputes, including notification of possible claims. Provisions for legal and other disputes include amounts relating to government investigations, product liability, contract terminations, self-insurance, environmental clean-up and property rental. The Company's Directors, having taken legal advice, have established provisions after taking into account insurance and other agreements and having regard to the relevant facts and circumstances of each matter and in accordance with accounting requirements. For certain product liability claims, the Company will recognise a provision where there is sufficient history of claims made and settlements to enable management to make a reliable estimate of the provision required to cover unasserted claims.

The balance of the provision as at 31 December 2019 is estimated based on the management's best estimates. However, the Company's position could change over time and there can, therefore, be no assurance that any losses that result from the outcome of any legal proceedings, will not exceed the amount of the provisions reported in the Company's financial statements by a material amount. The largest individual amounts provided for are expected to be settled within three years. For further detail concerning legal proceedings, refer to note 22.

Other provisions is the provision made for the obligation to pay a third party on the reimbursement cost for potentially utilising a purchase review voucher granted to the Company by the Food and Drugs Authority in the United States. The balance is expected to be fully utilised by year 2023.

Reversal during the year relates to reversal of the onerous provision made in previous year for unavoidable clinical trial and research and development costs for termination of the development of certain asset, as the future costs were deemed immaterial upon review.

To be settled with in one year	48,334
To be settled after one year	14,052
At 31 December 2019	62,386

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

19 Share capital

	2019 Number of shares	2018 Number of shares	2019 £	2018 £
Issued and fully paid				
Ordinary Shares of £1 each (2018: £1 each)	**100**	100	**100**	100

20 Other reserves

	Capital contribution reserve £'000
At 1 January 2018, 31 December 2018 and 31 December 2019	**396,800**

Other reserves of £396,800,000 relate to a capital contribution reserve arising on the transfer of various intangibles and related product liabilities.

21 Commitments

Capital commitments	2019 £'000	2018 £'000
Contracted for but not provided in the financial statements		
Intangible assets	**4,856,272**	4,209,014

A number of commitments were made in 2019 and in prior years under licensing and other agreements. The commitments related to intangible assets include milestone payments, which are dependent on successful clinical development or on meeting specified sales targets, and which represent the maximum that would be paid if all milestones, however unlikely, 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.

22 Contingent liabilities

Legal proceedings

The Company is involved in significant legal and administrative proceedings, principally product liability, intellectual property, tax, anti-trust, consumer fraud and governmental investigations. The most significant of these matters, other than tax matters, are described below. The Company makes provision for these proceedings on a regular basis as summarised in Note 2, 'Accounting principles and policies' and Note 18, 'Other provisions'. The Company may become involved in significant legal proceedings in respect of which it is not possible to make a reliable estimate of the expected financial effect, if any, that could result from ultimate resolution of the proceedings. In these cases, appropriate disclosures about such cases would be included in this note, but no provision would be made for the cases.

With respect to each of the legal proceedings described below, other than those for which a provision has been made, the Company is unable to make a reliable estimate of the expected financial effect at this stage. The Company does not believe that information about the amount sought by the plaintiffs, if that is known, would be meaningful with respect to those legal proceedings. This is due to a number of factors, including, but not limited to, the stage of proceedings, the entitlement of parties to appeal a decision and clarity as to theories of liability, damages and governing law.

22 Contingent liabilities (continued)

Legal proceedings (continued)

Legal expenses incurred and provisions related to legal claims are charged to selling, general and administration costs. Provisions are made, after taking appropriate legal and other specialist advice, where an outflow of resources is considered probable and a reliable estimate can be made of the likely outcome of the dispute. For certain product liability claims, the Company will make a provision where there is sufficient history of claims made and settlements to enable management to make a reliable estimate of the provision required to cover unasserted claims. The ultimate liability for legal claims may vary from the amounts provided and is dependent upon the outcome of litigation proceedings, investigations and possible settlement negotiations.

The Company's position could change over time, and, therefore, there can be no assurance that any losses that result from the outcome of any legal proceedings will not exceed by a material amount the amount of the provisions reported in the Group's financial statements. If this were to happen, it could have a material adverse impact on the results of operations of the Group in the reporting period in which the judgements are incurred or the settlements entered into.

Intellectual property

Intellectual property claims include challenges to the validity and enforceability of the Company's patents on various products or processes as well as assertions of non-infringement of those patents. A loss in any of these cases could result in loss of patent protection for the product at issue. The consequences of any such loss could be a significant decrease in sales of that product and could materially affect future results of operations for the Company.

Sales and marketing and regulation

The Company's marketing and promotion of its Pharmaceutical products are the subject of certain governmental investigations and private lawsuits brought by litigants under various theories of law. The Company has been able to make a reliable estimate of the expected financial effect of the matters discussed in this category, and has included a provision for such matters in the provision for legal and other disputes, except as noted below.

SEC/DOJ and SFO Anti-corruption enquiries

On 27 May 2014, the UK Serious Fraud Office (SFO) began a formal criminal investigation into the Group's commercial operations in a number of countries, including China. The SFO inquiry followed investigations initiated by China's Ministry of Public Security in June 2013 (the 'China Investigations'). Parallel investigations were undertaken by the US Securities and Exchange Commission (SEC) and the US Department of Justice (DOJ).

While the underlying commercial operations investigations have been resolved, as previously reported, in the course of its inquiry, the SFO had requested additional information from the Group regarding third-party advisers engaged by the company in the course of the China Investigations. The SEC and DOJ are also investigating these matters. The Group is co-operating and responding to these requests. On 22 February 2019, the SFO announced that it had closed its investigation and confirmed that it would be taking no further action against the Group.

On 4 May 2020, the US Department of Justice informed the Group that it would be closing its investigation without a recommendation of further action with respect to the Group's use of third-party advisers in China. This followed the US Securities and Exchange Commission's notification to the Group on 8 March 2020 that the SEC similarly was terminating its investigation into these matters. Accordingly, this matter is now concluded.

The Group, including the Company, is unable to make a reliable estimate of the expected financial effect of these investigations, and no provision has been made for them.

22 Contingent liabilities (continued)

Average wholesale price

The Attorney General in Illinois filed suit against the Group and a number of other pharmaceutical companies claiming damages and restitution due to average wholesale price (AWP) and/or wholesale acquisition cost (WAC) price reporting for pharmaceutical products covered by the state's Medicaid programmes. The case alleged that the Group reported or caused to be reported false AWP and WAC prices, which, in turn, allegedly caused the state Medicaid agency to reimburse providers more money for covered medicines than the agency intended. The state sought recovery on behalf of itself as payer and on behalf of in-state patients as consumers. GSK settled the matter with the state as announced in October 2019, thereby concluding the matter.

Anti-trust/competition

Certain governmental actions and private lawsuits have been brought against the Group alleging violation of competition or anti-trust laws. The Group has been able to make a reliable estimate of the expected financial effect of the matters discussed in this category and has included a provision for such matters in the provision for legal and other disputes, except as noted below.

UK Competition and Markets Authority investigation

On 12 February 2016, the UK Competition and Markets Authority (CMA) issued a decision fining the Group £37.6 million for infringement of the Competition Act, in connection with agreements to settle patent disputes the Group entered into in 2001 and 2002 with potential suppliers of generic paroxetine formulations. The Group appealed to the Competition Appeal Tribunal (CAT), which delivered its initial judgement upholding the fine on 8 March 2018 but referred certain questions of law to the European Union Court of Justice (ECJ). On 30 January 2020, the ECJ issued its judgement endorsing the criteria used by the CMA in levying the fine, and the matter now will return to the CAT for entry of a final judgement.

Commercial and corporate

The Group, including the Company, is a defendant in certain cases which allege violations of US federal securities and ERISA laws. The Group has been able to make a reliable estimate of the expected financial effect of the matters discussed in this category and has included a provision for such matters in the provision for legal and other disputes.

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 2019 is limited to the amount held on its accounts with the bank. No loss is expected to accrue to the Company from the agreement.

23 Events after the end of reporting period

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.

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

24 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).

25 Related party transactions

As a wholly owned subsidiary of the ultimate parent company, GlaxoSmithKline plc, advantage has been taken of the exemption afforded by FRS 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. There are no other related party transactions.