GlaxoSmithKline Intellectual Property Development Limited
(Registered number: 08283222)

Annual Report
for the year ended 31 December 2020

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 2020

Contents	**Pages**

GlaxoSmithKline Intellectual Property Development Limited
(Registered number: 08283222)

Strategic report for the year ended 31 December 2020

The Directors present their Strategic report on GlaxoSmithKline Intellectual Property Development Limited (the "Company") for the year ended 31 December 2020.

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 £1,987,631,000 (2019: loss of £2,058,336,000). 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. 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 £1,987,631,000 will be transferred from reserves (2019: Loss of £2,058,336,000 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 2020 annual report. Please refer to the 2020 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 2020 annual report which does not form part of this report.

Strategic report for the year ended 31 December 2020 (continued)

Impact of Brexit

The UK left the EU on 31 January 2020 and the Brexit transition period ended on 31 December 2020 with a Trade and Cooperation Agreement ('a deal') in place between the UK and EU. The Group's overriding priority in preparing for the UK's exit from the EU has been to maintain continuity of supply of our medicines and vaccines to people in the UK and EU. The Group's post-Brexit operating model has been implemented, and we continue to work closely with Governments in both the UK and EU, as well as our third parties, on the effective implementation of the deal and to ensure that our sector continues to thrive in both the UK and EU. Over the longer term, we continue to believe that Brexit will not have a material impact on our business.

Risks associated with COVID-19

The potential impact of the COVID-19 pandemic on the Company's trade route performance and all its principal risks have been assessed with mitigation plans put in place. The Company continues to monitor the situation closely, as this continues to be a dynamic and an uncertain situation, with the ultimate severity, duration and impact unknown at this point including potential impacts on its activity. The situation could change at any time and there can be no assurance that the COVID-19 pandemic will not have a material adverse impact on the future results of the Company.

Post balance sheet events

An intention to increase the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was announced in the UK Budget on 3 March 2021. Deferred taxes have been measured using appropriate rates substantively enacted at the balance sheet date. The overall effect of the proposed change to the UK corporation tax rate from 19% to 25%, if applied to the deferred tax balance at 31 December 2020, would be an increase in deferred tax assets by approximately £224 million.

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.

Further disclosures detailing how, during the year, the Directors addressed the matters set out in Section 172(1) (a) to (f) of the Companies Act, can be found in the consolidated financial statements of the Group, of which the Company is a member and no additional considerations are deemed necessary for the Company as the relevant matters are all considered in the Group accounts. Copies of the consolidated financial statements can be obtained from the Company Secretary, GlaxoSmithKline plc, 980 Great West Road, Brentford, Middlesex, TW8 9GS.

On behalf of the Board

Adam Walker
Director
10 September 2021

GlaxoSmithKline Intellectual Property Development Limited
(Registered number: 08283222)

Directors' report for the year ended 31 December 2020

The Directors present their report on the Company and the audited financial statements for the year ended 31 December 2020.

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 2020 (2019: £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

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 their 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 2020 (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;
- impact of Brexit;
- risks associated with COVID-19;
- post balance sheet events; and
- section 172 Companies Act 2006 statement.

Modern Slavery

The Company's approach to the Modern Slavery Act 2015 is set by the Group. Each year, as part of their governance arrangements, the Group formally reviews and approves the approach to the Modern Slavery Act 2015 and has confirmed that the approach is still valid for 2020.

Corporate Governance

As a subsidiary company of a Group listed on the New York and London Stock Exchanges, the Company has developed governance practices and processes that are fit for purpose, and therefore the directors have chosen not to adopt a corporate governance code such as the FRC Corporate Governance Code or Wates Corporate Governance Principles.

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.

Stakeholder engagement

The Company aims to build enduring relationships with all its stakeholders 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.

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 stakeholders on a range of issues that are relevant to its business and relating to regulatory compliance matters.

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.

On behalf of the Board

Adam Walker
Director
10 September 2021

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 2020 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" (United Kingdom Generally Accepted Accounting Practice).

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
In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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

Other information (continued)
We have nothing to report in this regard.

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.

Extent to which the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the Company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty. These included General Data Protection requirements, Anti-bribery and corruption policy and the Foreign Corrupt Practices Act.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)
In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

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.

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

Deloitte LLP
Statutory Auditor
Reading, United Kingdom
13 September 2021

GlaxoSmithKline Intellectual Property Development Limited
(Registered number: 08283222)

Statement of comprehensive income
for the year ended 31 December 2020

	Notes	**2020** **£'000**	2019 £'000
Turnover	4	**734,224**	432,766
Cost of sales		**(441,191)**	(450,438)
Gross profit/(loss)		**293,033**	(17,672)
Administrative expenses		**(225,586)**	(51,986)
Research and development expenditure		**(2,485,736)**	(2,250,387)
Other operating expenses		**(66,616)**	(133,380)
Gain on disposal of intangible assets		**1,164**	59,881
Operating loss	5	**(2,483,741)**	(2,393,544)
Loss before interest and taxation		**(2,483,741)**	(2,393,544)
Finance income	7	**239**	126
Finance expense	8	**(61,556)**	(114,460)
Net - finance expense		**(61,317)**	(114,334)
Loss before taxation		**(2,545,058)**	(2,507,878)
Taxation	9	**557,427**	449,542
Loss for the year		**(1,987,631)**	(2,058,336)

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 2020

	Notes	2020 £'000	2019 £'000
Non-current assets			
Intangible assets	10	**435,670**	478,428
Financial assets at fair value through profit or loss	11	**23,000**	26,969
Deferred tax assets	9	**709,974**	420,283
Contingent consideration asset	12	**95,639**	26,000
Total non-current assets		**1,264,283**	951,680
Current assets			
Trade and other receivables	13	**605,684**	405,992
Corporation tax		**331,562**	287,875
Prepayments and accrued income	14	**1,685**	2,695
Contingent consideration asset	12	**3,226**	2,000
Total current assets		**942,157**	698,562
Total assets		**2,206,440**	1,650,242
Current liabilities			
Trade and other payables	16	**(16,090,328)**	(13,588,465)
Derivative financial instruments	15	**(512)**	(469)
Accruals and deferred income	17	**(140,750)**	(119,445)
Provisions for liabilities within one year	18	**(70,848)**	(48,334)
Total current liabilities		**(16,302,438)**	(13,756,713)
Net current liabilities		**(15,360,281)**	(13,058,151)
Total assets less current liabilities		**(14,095,998)**	(12,106,471)
Non-current liabilities			
Provisions for liabilities	18	**(12,156)**	(14,052)
Total non-current liabilities		**(12,156)**	(14,052)
Total liabilities		**(16,314,594)**	(13,770,765)
Net liabilities		**(14,108,154)**	(12,120,523)
Equity			
Share capital	19	**-**	-
Other reserves	20	**396,800**	396,800
Accumulated losses		**(14,504,954)**	(12,517,323)
Shareholder's deficit		**(14,108,154)**	(12,120,523)

The financial statements on pages 9 to 26 were approved by the Board of Directors on 10 September 2021 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 2020

	Share capital £'000	Other reserves £'000	Accumulated losses £'000	Total £'000
At 1 January 2019	-	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)**
Loss for the year and total comprehensive loss for the year	-	-	(1,987,631)	**(1,987,631)**
At 31 December 2020	**-**	**396,800**	**(14,504,954)**	**(14,108,154)**

Notes to the financial statements for the year ended 31 December 2020

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';
- 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)';

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Disclosure exemptions adopted (continued)

- 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.

(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.

2 Summary of significant accounting policies (continued)

(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.

(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.

2 Summary of significant accounting policies (continued)

(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.

(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.

2 Summary of significant accounting policies (continued)

(m) Trade and other receivables (continued)

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) 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.

(o) 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.

(p) 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.

(q) 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.

(r) 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 £710 million comprises tax losses incurred prior to 1 April 2017 (£135 million) and tax losses incurred subsequent to 1 April 2017 (£575 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

Judgment
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.

Estimates
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:

	2020 £'000	2019 £'000
UK	**734,224**	432,766

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:

	2020 £'000	2019 £'000
Royalties and licence income	**734,224**	432,766

5 Operating loss

	2020 £'000	2019 £'000
The following items have been charged / (credited) in operating loss:		
Amortisation of intangible assets (note 10)	**32,950**	32,334
Research and development expenditure	**2,485,736**	2,250,387
Distribution loss from manufacture and distribution of pharmaceutical products	**141,682**	206,616
Exchange gains on foreign currency transactions	**(3,003)**	(6,510)
Net charge of provisions (note 18)	**23,697**	49,163
Management fee	**25**	25
Movement of fair value of contingent consideration asset (note 12)	**70,865**	(28,000)
Impairment of intangible assets (note 10)	**79,079**	26,562
Impairment reversal for the year (note 10)	**-**	(14,051)
Gain on disposal of Intellectual Property	**(1,164)**	(59,881)

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 (2019: £11,500).

The Company recognised a gain of £1,164,000 (2019: £59,881,000) from the disposal of certain intellectual property rights.

The impairment charge of £79,079,000 (2019: £26,562,000) 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.

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 (2019: 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.

Notes to the financial statements for the year ended 31 December 2020

7 Finance income

	2020 £'000	2019 £'000
On loans with Group undertakings	1	11
Swap interest income	238	115
Total finance income	239	126

8 Finance expense

	2020 £'000	2019 £'000
Bank charges	-	(11)
On loans with Group undertakings	(61,547)	(114,449)
Swap interest expenses	(9)	-
Total finance expense	(61,556)	(114,460)

9 Taxation

Income tax credit on loss	2020 £'000	2019 £'000
Current tax:		
UK corporation tax	(232,780)	(234,280)
Adjustments in respect of previous years	(34,956)	(148,082)
Total current tax	(267,736)	(382,362)
Deferred tax:		
Origination and reversal of timing differences	(253,504)	(220,163)
Adjustments in respect of previous years	11,863	152,983
Effect of increased/decreased tax rate on opening balance	(48,049)	152,983
Total deferred tax	(289,691)	(67,180)
Total tax credit for the year	(557,427)	(449,542)

The tax assessed for the year is lower than (2019: higher than) the standard rate of corporation tax in the UK for the year ended 31 December 2020 of 19.00% (2019: 19.00%). The differences are explained below:

Reconciliation of total tax credit	2020 £'000	2019 £'000
Loss before taxation	(2,545,058)	(2,507,878)
Loss on ordinary activities at the UK standard rate 19.00% (2019: 19.00%)	(483,561)	(476,497)
Effects of:		
Expenses not deductible for tax purposes	1,364	-
Income not taxable	(4,087)	(3,847)
Remeasurement of deferred tax - change in tax rate	(48,049)	-
Adjustments to tax change in respect of previous years	(23,094)	4,901
Impact of tax rate difference	-	25,901
Total tax credit for the year	(557,427)	(449,542)

Factors that may affect future tax rates:
A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge accordingly. The deferred tax asset at 31 December 2020 has been calculated at 19% (2019: 19%).

9 Taxation (continued)

An increase in the UK corporation tax rate from 19% to 25% (effective from 1 April 2023) was substantively enacted on 24 May 2021. Deferred taxes have been measured using appropriate rates substantively enacted at the balance sheet date. The overall effect of the proposed changes from 19% to 25%, if these applied to the deferred tax balance at 31 December 2020, would be an increase in the deferred tax asset by approximately £224m.

Movement in deferred tax assets

	Total £'000
At 1 January 2019	**353,103**
Credit for the year	**67,180**
At 31 December 2019	**420,283**
Credit for the year	**289,691**
At 31 December 2020	**709,974**

Recognised tax losses relate to trading losses in 2014, 2016 and 2017, 2019 and 2020.

The Company is loss making and is recognising a deferred tax asset on accumulated losses. Please refer to note 3(a) for estimates made in calculating deferred tax asset.

10 Intangible assets

	Licences and patents £'000
Cost	
At 1 January 2020	**1,097,234**
Additions	**114,422**
Disposals	**(45,151)**
At 31 December 2020	**1,166,505**
Accumulated amortisation	
At 1 January 2020	**(207,246)**
Charge for the year (note 5)	**(32,950)**
At 31 December 2020	**(240,196)**

	£'000
Accumulated impairment	
At 1 January 2020	**(411,560)**
Charge for the year (note 5)	**(79,079)**
Reversal for the year (note 5)	**-**
At 31 December 2020	**(490,639)**
Total amortisation and impairment at 31 December 2020	**(730,835)**
Net book value at 1 January 2020	**478,428**
Net book value at 31 December 2020	**435,670**

The additions include £68,187,000 (2019: £106,075,000) additions from third parties outside of the Group.

Development costs capitalised from internal research and development expenditure during the year are £46,235,000 (2019: £22,592,000). 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.

Disposals of £45 million relates to transfer of intellectual property to another Group undertaking at fair value.

10 Intangible assets (continued)

The impairment charge of £79,079,000 (2019: £26,562,000) 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.

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

11 Financial Asset at Fair Value through profit or loss

	Financial assets £'000
Fair value	
At 1 January 2020	**26,969**
Movement during the year	**(3,969)**
At 31st December 2020	**23,000**

Financial assets comprise unlisted investments of £23m.

12 Contingent consideration asset

	2020 £'000	2019 £'000
Amounts falling due within one year	**3,226**	2,000
Amounts falling due after more than one year	**95,639**	26,000

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'.

During the year the contingent consideration was revalued to £98,865,000 and a corresponding income of £70,865,000 (2019: £28,000,000) has been recorded within other operating income.

13 Trade and other receivables

	2020 £'000	2019 £'000
Amounts due within one year		
Trade receivables	**12,535**	3,092
Amounts owed by Group undertakings	**587,206**	396,360
Other receivables	**5,943**	6,540
	605,684	405,992

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

14 Prepayments and accrued income

	2020 £'000	2019 £'000
Amounts due within one year	**1,685**	2,695

14 Prepayments and accrued income (continued)

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:

	2020	2019
	Liabilities	Liabilities
	£'000	£'000
Forward foreign exchange contracts - USD	**(512)**	(469)

The notional principal amounts of the outstanding derivative instruments at 31 December 2020 were $72,566,000 (2019: $60,331,000).

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

	2020	2019
	£'000	£'000
Amounts falling due within one year		
Trade payables	**14,086**	15,034
Amounts owed to Group undertakings	**16,075,467**	13,572,656
Other payables	**775**	775
	16,090,328	13,588,465

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 £12,012 million (2019: £11,968 million) and GlaxoSmithKline IHC Limited of £3,798 million (2019: £1,326 million) which is unsecured with interest charged at LIBOR rate plus 0.25% per annum (2019: LIBOR rate plus 0.25% per annum) and repayable on demand.

17 Accruals and deferred income

	2020	2019
	£'000	£'000
Amounts falling due within one year	**140,750**	119,445

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

18 Provisions for liabilities

The Company had the following provisions during the year:

	Product liability £'000	Other provision £'000	Total £'000
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
Charge for the year	24,093	(396)	23,697
Utilised	(202)	-	(202)
Exchange differences	(2,877)	-	(2,877)
At 31 December 2020	70,848	12,156	83,004

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 2020 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 one year. For further detail concerning legal proceedings, refer to note 22.

Other provisions

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	**70,848**
To be settled after one year	**12,156**
At 31 December 2020	**83,004**

19 Share capital

	2020 Number of shares	2019 Number of shares	2020 £	2019 £
Issued and fully paid				
Ordinary Shares of £1 each (2019: £1 each)	**100**	100	**100**	100

20 Other reserves

	Capital contribution reserve £'000
At 1 January 2019, 31 December 2019 and 31 December 2020	**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	2020 £'000	2019 £'000
Contracted for but not provided in the financial statements		
Intangible assets	**4,379,778**	4,856,272

A number of commitments were made in 2020 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'. note 2 also describes when disclosure is made of proceedings for which there is no provision. Legal expenses incurred and provisions related to legal claims are charged to selling, general and administration costs. The Company does not believe that information about the amount sought by 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.

At 31 December 2020, the Company's aggregate provision for legal and other disputes (not including tax matters described in note 9, 'Taxation') was £83 million. 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 Company's financial statements. If this were to happen, it could have a material adverse impact on the results of operations of the Company 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.

22 Contingent liabilities (continued)

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

Following the resolution of investigations by the UK Serious Fraud Office (SFO), the US Securities and Exchange Commission (SEC) and the US Department of Justice (DOJ) into the Group's commercial operations in a number of countries, including China, the SFO had requested additional information from the Company regarding third-party advisers engaged by the company in the course of investigations initiated by China's Ministry of Public Security in 2013. The SEC and DOJ also were investigating these matters. 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 Company. The SEC notified the Group on 8 March 2020 that it was terminating its investigation into these matters, and on 4 May 2020, the DOJ likewise informed the Company that it would be closing its investigation without a recommendation of further action. Accordingly, this matter is now concluded.

Anti-trust/competition

Certain governmental actions and private lawsuits have been brought against the Group alleging violation of competition or anti-trust laws.

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 Company 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 returned to the CAT for entry of a final judgement. On the 10 May 2021 a final judgement was reached and the fine for the Group was reduced to £22.2 million.

Commercial and corporate

The Group historically has been named as a defendant in certain cases that allege violations of US securities laws and the Employee Retirement Income Security Act (ERISA).

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 2020 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

An intention to increase the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was announced in the UK Budget on 3 March 2021. Deferred taxes have been measured using appropriate rates substantively enacted at the balance sheet date. The overall effect of the proposed change to the UK corporation tax rate from 19% to 25%, if applied to the deferred tax balance at 31 December 2020, would be an increase in deferred tax assets by approximately £224 million.

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 (2019: £nil). Corporate Directors received no remuneration during the year, either as executives of the Group or in respect of their services to the Company (2019: £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.

The amount due from/(to) related party at the balance sheet date that does not qualify for exemption is:

Name of related party	**2020** **£'000**	2019 £'000
GSK Consumer Heathcare Finance Limited	**3,242**	2,110
GlaxoSmithKline Consumer Trading Services Limited	**490**	-