

GlaxoSmithKline Intellectual Property (No.4) Limited
(Registered number: 11721880)

Annual Report

for the year ended 31 December 2022



Registered office address:
GSK Medicines Research Centre
Gunnels Wood Road
Stevenage
United Kingdom
SG1 2NY

GlaxoSmithKline Intellectual Property (No.4) Limited
(Registered number: 11721880)

Annual Report

for the year ended 31 December 2022

Contents	Pages
Directors' report	1-2
Statement of comprehensive income	3
Balance sheet	4
Statement of changes in equity	5
Notes to the financial statements	6-16

GlaxoSmithKline Intellectual Property (No.4) Limited
(Registered number: 11721880)

Directors' report for the year ended 31 December 2022

The Directors present their report on GlaxoSmithKline Intellectual Property (No.4) Limited (the "Company") and the financial statements of the Company for the year ended 31 December 2022.

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 GSK Medicines Research Centre, Gunnels Wood Road, Stevenage, United Kingdom, SG1 2NY.

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.

Review of business

The Company made a loss for the financial year of £208,769,000 (2021: loss of £483,904,000). The Directors are of the opinion that the current level of activity and the year-end financial position are sustainable, and will improve in the future. Additionally, the Directors have received confirmation that GlaxoSmithKline Finance plc will support the Company for at least one year after these financial statements are signed.

The loss for the financial year of £208,769,000 will be transferred from reserves (2021: loss for the year of £483,904,000 transferred from reserves).

Results and dividends

The Company's results for the financial year are shown in the statement of comprehensive income on page 3.

No dividend was proposed to the holders of ordinary shares in respect of the year ended 31 December 2022 (2021: £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 include 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, particularly in the later stages.

Financial instruments

The Company has entered into foreign currency forward and swap contracts to mitigate the foreign currency exposure on certain foreign currency transactions of the Company. Detailed disclosures are not provided in the financial statements as the Company has taken advantage of the exemption from disclosure under FRS 101. Details of accounting policy on financial instruments are disclosed in note 2(o).

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

The Wellcome Foundation Limited

Adam Walker

Ziba Shamsi

(appointed on 28 October 2022)

Jill Anderson

(appointed on 1 March 2023)

Kate Priestman

(resigned on 28 October 2022)

Jerome Andries

(resigned on 1 March 2023)

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.

GlaxoSmithKline Intellectual Property (No.4) Limited
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Directors' report for the year ended 31 December 2022 (continued)

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.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the 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.

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 2022.

Going concern

Having assessed the principal risks of the Company and other matters the Directors are of the opinion that the current level of activity remains sustainable. The Directors in their considerations have included potential risks to demand and operational risks to supply through 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 immediate parent company 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.

Audit and small company exemption

The Company has taken advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 31 December 2022.

In accordance with s414B of the Companies Act 2006, the Company is exempt from preparing a strategic report.

On behalf of the Board



Adam Walker
Director
27 July 2023

GlaxoSmithKline Intellectual Property (No.4) Limited
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Statement of comprehensive income
for the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Turnover		170,443	87,738
Cost of sales		(46,690)	(62,445)
Gross profit		123,753	25,293
Administrative expenses		(15,054)	(17,325)
Research and development expenditure		(235,902)	(287,788)
Other operating expense		(79,817)	(334,017)
Operating loss	4	(207,020)	(613,837)
Finance expense	6	(32,661)	(4,490)
Loss before taxation		(239,681)	(618,327)
Taxation	7	30,912	134,423
Loss for the year		(208,769)	(483,904)

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 (No.4) Limited
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Balance sheet
for the year ended 31 December 2022


	Notes	2022 £'000	2021 £'000
Non-current assets			
Intangible assets	8	1,172,941	1,091,965
Deferred tax asset	7	14,369	70,781
Total non-current assets		1,187,310	1,162,746
Current assets			
Trade and other receivables	9	114,217	106,441
Corporation tax		90,677	66,155
Cash and cash equivalents		26	27
Total current assets		204,920	172,623
Total assets		1,392,230	1,335,369
Current liabilities			
Trade and other payables	10	(2,338,779)	(2,130,393)
Derivative financial instruments		(25)	-
Accruals and deferred income		(33,231)	-
Other provisions	11	(25,261)	-
Total current liabilities		(2,397,296)	(2,130,393)
Net current liabilities		(2,192,376)	(1,957,770)
Total assets less current liabilities		(1,005,066)	(795,024)
Non-current liabilities			
Other provisions	11	-	(1,273)
Total non-current liabilities		-	(1,273)
Total liabilities		(2,397,296)	(2,131,666)
Net liabilities		(1,005,066)	(796,297)
Equity			
Share capital	12	-	-
Accumulated losses		(1,005,066)	(796,297)
Shareholders' equity		(1,005,066)	(796,297)

For the year ended 31 December 2022, the Company was entitled to exemption for audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- the members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006; and
- the Directors acknowledge their responsibilities for complying with the requirement of the Act with respect to accounting records and preparation of accounts.

The financial statements on pages 3 to 16 were approved by the Board of Directors on 27 July 2023 and were signed on its behalf by:



Adam Walker
Director

GlaxoSmithKline Intellectual Property (No.4) Limited
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Statement of changes in equity
for the year ended 31 December 2022

	Share capital £'000	Accumulated losses £'000	Total £'000
At 1 January 2021	-	(312,393)	(312,393)
Total comprehensive loss for the year	-	(483,904)	(483,904)
At 31 December 2021	-	(796,297)	(796,297)
Total comprehensive loss for the year	-	(208,769)	(208,769)
At 31 December 2022	-	(1,005,066)	(1,005,066)

GlaxoSmithKline Intellectual Property (No.4) Limited
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Notes to the financial statements for the year ended 31 December 2022

1 Presentation of the financial statements

General information

The Company is a private company limited by shares and is incorporated and domiciled in the United Kingdom (England). The address of the registered office is GSK Medicines Research Centre, Gunnels Wood Road, Stevenage, United Kingdom, SG1 2NY.

The principal activities of the Company are the 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 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.

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 derivative financial assets and liabilities at fair value through profit and loss and in accordance with the Companies Act 2006.

The financial statements are presented in Pounds Sterling.

Going concern

Having assessed the principal risks of the Company and other matters the Directors are of the opinion that the current level of activity remains sustainable. The Directors in their considerations have included potential risks to demand and operational risks to supply through 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 immediate parent company 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.

Notes to the financial statements for the year ended 31 December 2022 (continued)

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by IFRS 101 to requirements set by the International Financial Reporting Standards (IFRS). Therefore these financial statements do not include:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payments' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined).
- The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations.
- The requirements of paragraph 33(c) of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.
- IFRS 7, 'Financial instruments: disclosures'.
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - (i) paragraph 79(a) (iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 Property, plant and equipment;
 - (iii) paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period);
 - (iv) paragraph 76 and 79(d) of IAS 40 Investment property; and
 - (v) paragraph 50 of IAS 41 Agriculture.
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), (statement of cash flows);
 - 10(f) (a balance sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or make a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
 - 16 (statement of compliance with all IFRS);
 - 38A (requirements for minimum of two primary statements, including cash flow statements);
 - 38B-D (additional comparative information);
 - 40A-D (requirements for a third balance sheet);
 - 111 (cash flow statement information); and
 - 134 - 136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'.
- The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16, 'Leases';
- The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total;
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 and 18A of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more wholly owned members of a group; and
- 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.

GlaxoSmithKline Intellectual Property (No.4) Limited
(Registered number: 11721880)

Notes to the financial statements for the year ended 31 December 2022 (continued)

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Disclosure exemptions adopted (continued)

The financial statements of GSK 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 undertaking

The Company is a wholly owned subsidiary of the ultimate parent company. GSK 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 GSK plc. Copies of the consolidated financial statements can be obtained from the Company Secretary, GSK plc, GSK Medicines Research Centre, Gunnels Wood Road, Stevenage, United Kingdom SG1 2NY. The immediate parent undertaking is Glaxo Group 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 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.

(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.

Notes to the financial statements for the year ended 31 December 2022 (continued)

2 Summary of significant accounting policies (continued)

(h) Finance income and expense

Finance income and expense 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, patents 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 statement of comprehensive income 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) Trade and other receivables

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

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

Subsequent recoveries of amounts previously provided for are credited to the statement of comprehensive income. Long-term receivables are discounted where the effect is material.

(m) 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.

GlaxoSmithKline Intellectual Property (No.4) Limited
(Registered number: 11721880)

Notes to the financial statements for the year ended 31 December 2022 (continued)

2 Summary of significant accounting policies (continued)

(n) Taxation

Current tax is provided at the amounts expected to be paid or refunded applying the rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax is provided using rates of tax that have been enacted or substantively enacted by the balance sheet date.

(o) Derivative financial instruments

Derivative financial instruments are used to manage exposure to market risks. The principal derivative instruments used by the Company are foreign currency swaps, interest rate swaps, foreign exchange forward contracts and options. The Company does not hold or issue derivative financial instruments for trading or speculative purposes.

Derivative financial assets and 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.

(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) Legal and other disputes/provisions

Provision is made for the anticipated settlement costs of legal or other disputes against the Company where an outflow of resources is considered probable and a reliable estimate can be made of the likely outcome. In addition, provision is made for legal or other expenses arising from claims received or other disputes. 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. In certain cases, an incurred but not reported (IBNR) actuarial technique is used to determine this estimate.

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 included but no provision would be made. Costs associated with claims made by the Company against third parties are charged to the statement of comprehensive income as they are incurred.

(r) Share capital

Ordinary shares are classified as equity.

Notes to the financial statements for the year ended 31 December 2022 (continued)

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 key accounting judgements and estimates made.

(a) Legal and other disputes

Judgement

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 11 "Provisions on 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 Operating loss

	2022 £'000	2021 £'000
The following items have been (credited)/charged in operating loss:		
Research and development expenditure	235,902	287,788
Management fee	14	14
Exchange (gain)/losses on foreign currency transactions	(616)	4,848

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

5 Employees

GlaxoSmithKline Services Unlimited is the legal employer of all UK Group employees providing services to the Company. It charges the costs of employees at cost to the economic employers across the UK Group.

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.

GlaxoSmithKline Intellectual Property (No.4) Limited
(Registered number: 11721880)

Notes to the financial statements for the year ended 31 December 2022 (continued)

6 Finance expense

	2022 £'000	2021 £'000
Interest payable to Group companies	(32,661)	(4,489)
Interest expense on derivatives	-	(1)
Total finance expense	(32,661)	(4,490)

7 Taxation

	2022 £'000	2021 £'000
Income tax credit on loss		
Current tax:		
UK corporation tax at 19.00% (2021: 19.00%)	(44,602)	(60,790)
Overseas tax	1,344	57
Adjustments in respect of previous years	(44,066)	(2,909)
Total current tax	(87,324)	(63,642)
Deferred tax:		
Origination and reversal of timing differences	(1,909)	(68,348)
Adjustments in respect of previous years	58,321	(1,849)
Change in tax rate - impact on deferred tax	-	(584)
Total deferred tax	56,412	(70,781)
Total tax credit for the year	(30,912)	(134,423)

The tax assessed for the year is higher (2021: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2022 of 19.00% (2021: 19.00%). The differences are explained below:

	2022 £'000	2021 £'000
Reconciliation of total tax credit		
Loss on ordinary activities before tax	(239,681)	(618,327)
Tax on ordinary activities at the UK standard rate 19.00% (2021: 19.00%)	(45,540)	(117,483)
Effects of:		
Expenses not deductible for tax purposes	-	4,826
R&D expenditure tax credits	(258)	(78)
Adjustments to tax charge in respect of previous years	14,255	(4,758)
Remeasurement of deferred tax - change in tax rate	(458)	(16,987)
Overseas taxes	1,344	57
Foreign tax credits	(255)	-
Total tax credit for the year	(30,912)	(134,423)

GlaxoSmithKline Intellectual Property (No.4) Limited
(Registered number: 11721880)

Notes to the financial statements for the year ended 31 December 2022 (continued)

7 Taxation (continued)

Factors that may affect future tax charges:

An increase in the UK Company's tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This may have an impact on company's tax charge of future years accordingly. There is no impact of this change on the tax charge as there are no instances of deferred taxation recognised in the statement of comprehensive income or directly in equity in either the current or prior year.

Movement in deferred tax assets/(liabilities)

	Intangible assets £'000	Total £'000
At 1 January 2021	-	-
At 1 January 2022	70,781	70,781
Charge to income statement	(56,412)	(56,412)
At 31 December 2022	14,369	14,369

After offsetting deferred tax assets and liabilities where appropriate, the net deferred tax asset/(liability) comprises:

	2022 £'000	2021 £'000
Deferred tax assets classified as non-current assets	14,369	70,781

8 Intangible assets

	Licences & patents £'000
Cost	
At 1 January 2022	1,485,865
Additions	143,210
At 31 December 2022	1,629,075
Accumulated amortisation	
At 1 January 2022	(129,822)
Charge for the year	(44,435)
At 31 December 2022	(174,257)
Accumulated impairment	
At 1 January 2022	(264,078)
Charge for the year	(17,799)
At 31 December 2022	(281,877)
Total amortisation and impairment at 31 December 2022	(456,134)
Net book value at 1 January 2022	1,091,965
Net book value at 31 December 2022	1,172,941

GlaxoSmithKline Intellectual Property (No.4) Limited
(Registered number: 11721880)

Notes to the financial statements for the year ended 31 December 2022 (continued)

8 Intangible assets (continued)

The additions of £143,210,000 (2021: £444,001,000) during the year relates to acquired licenses and patents which are either in use or still in development.

Intangible assets amortisation is recorded within administrative expenses in the statement of comprehensive income.

9 Trade and other receivables

	2022 £'000	2021 £'000
Amounts due within one year		
Trade receivables	-	575
Amounts owed by Group undertakings	96,402	92,548
Other receivables	17,815	13,318
	<u>114,217</u>	<u>106,441</u>

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

10 Trade and other payables

	2022 £'000	2021 £'000
Amounts falling due within one year		
Trade payables	57	78,757
Amounts owed to Group undertakings	2,338,722	2,051,636
Other payables	-	-
	<u>2,338,779</u>	<u>2,130,393</u>

Amounts owed to Group undertakings are unsecured, interest free and repayable on demand, except for a call account balance with GlaxoSmithKline Finance plc of £951,959,000 (2021: £937,842,000) and GlaxoSmithKline IHC Limited of £1,324,393,000 (2021: £1,079,973,000) which is unsecured with interest paid at SONIA rate plus 0.1% per annum (2021: LIBOR rate plus 0.25% per annum up to 1 November 2021. From 1 November 2021, the interest rate changed to SONIA rate plus 0.1% per annum).

Other payables balance represents amount payable to third party for sharing direct and indirect costs during the year.

11 Other provisions

The Company had the following provisions during the year:

	Other provisions £'000
At 31 December 2021	1,273
Charge for the year	23,126
Utilised	32
Exchange differences	830
At 31 December 2022	<u>25,261</u>

GlaxoSmithKline Intellectual Property (No.4) Limited
(Registered number: 11721880)

Notes to the financial statements for the year ended 31 December 2022 (continued)

11 Other provisions (continued)

Product liability provision

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.

12 Share capital

	2022	2021	2022	2021
	Number of	Number of	£	£
Authorised	shares	shares		
Ordinary Shares of £1 each (2021: £1 each)	100	100	100	100

13 Capital and other commitments

At 31 December 2022, the Company had the following capital commitments:

	2022	2021
Capital commitments	£'000	£'000
Contracted for but not provided in the financial statements		
Intangible assets	3,846,665	3,519,448

A number of commitments were made in 2022 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.

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Notes to the financial statements for the year ended 31 December 2022 (continued)

14 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 11, 'Provision for liabilities'. 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 2022, the Company's aggregate provision for legal and other disputes (not including tax matters described in note 8, 'Taxation') was £25 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.

Commercial and corporate

The Company is involved in certain contractual and/or commercial disputes.

Zejula Royalty Dispute

In October 2012, Tesaro, Inc. (now a wholly owned subsidiary of the Group) entered into few worldwide patent license agreements with AstraZeneca UK Limited related to niraparib (later approved as Zejula). In May 2021, AstraZeneca filed a lawsuit against Tesaro in the High Court, England and Wales alleging that Tesaro failed to pay some of the royalties due under the license agreements. Tesaro has counterclaimed based on a calculated overpayment.

Trial was held the week of 6 March 2023 and judgment was entered against the Group on 5 April 2023. The Court upheld AstraZeneca's interpretation that all current uses of Zejula generate royalty-bearing sales under the wording of the two license agreements. Accordingly, the Group will owe back royalties to AstraZeneca in an amount to be determined in a separate phase of the proceedings. The Group will also be responsible for paying on this same basis going forward. The Group is considering an appeal.

On 12 June 2023, the Court of Appeal of England and Wales granted the Group's request for permission to appeal the 5 April 2023 judgment which upheld AstraZeneca's interpretation of the two license agreements. The appeal will be heard in January 2024.

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 2022 is limited to the amount held on its accounts with the bank. No loss is expected to accrue to the Company from the agreement.

15 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 (2021: £nil). Corporate Directors received no remuneration during the year, either as executives of the Group or in respect of their services to the Company (2021: £nil).

16 Related party transactions

As a wholly owned subsidiary of the ultimate parent company, GSK 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.