

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

Directors' report and financial statements

for the year ended 31 December 2020

Registered office address:

980 Great West Road
Brentford
Middlesex
TW8 9GS
England

FRIDAY



A18 24/09/2021 #307
COMPANIES HOUSE

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

Directors' report and financial statements

for the year ended 31 December 2020

Contents	Pages
Directors' report	1-3
Statement of comprehensive income	4
Balance sheet	5
Statement of changes in equity	6
Notes to the financial statements	7-16

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

Directors' report for the year ended 31 December 2020

The Directors present their report on the Company and the financial statements of 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 UK (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 are not limited to, licensing out intellectual property rights relating to pharmaceutical products to Group companies and carrying out research and development activities.

Review of business

The Company made a loss for the year of £239,508,000 (2019: loss of £72,885,000). The Directors have received confirmation that GlaxoSmithKline Finance plc will support the Company for at least one year after these financial statements are signed. During 2019, the Company entered into a collaboration agreement with a third party whereby the Company will be involved in co-development and co-commercialisation of products along with the third party.

The loss for the year of £239,508,000 will be transferred from reserves (2019: loss of £72,885,000 which formed the initial reserves).

Results

The Company's results for the financial year are shown in the statement of comprehensive income on page 4.

No dividend is proposed to the holders of ordinary shares in respect of the year ended 31 December 2020 (2019:

Research and development

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

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 the accounting policies applied to financial instruments are disclosed in Note 2(o).

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

Directors' report for the year ended 31 December 2020

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
A Walker
K Priestman
J Andries
J Wheatcroft

No Director had, during the year or at the end of the financial 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 Directors' report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, 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, 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.

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

Directors' report for the year ended 31 December 2020

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 the potential risks to the research and development activities of the Company. 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.

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 research and development activities 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.

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 2020.

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

On behalf of the Board



A Walker
Director
20 September 2021

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

Statement of comprehensive income
for the year ended 31 December 2020

		2020	For the period from 11 December 2018 to 31 December 2019
	Notes	£'000	£'000
Turnover		3,745	-
Cost of sales		(42,347)	(252)
Gross loss		(38,602)	(252)
Administrative expenses		(12,044)	(7,581)
Research and development expenditure		(213,793)	(80,057)
Other operating (expense) / income		(26,903)	314
Operating loss	4	(291,342)	(87,576)
Finance expense	6	(4,347)	(2,406)
Loss before taxation		(295,689)	(89,982)
Taxation	7	56,181	17,097
Loss for the year / period		(239,508)	(72,885)

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

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

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

Balance sheet
as at 31 December 2020

	Notes	2020 £'000	2019 £'000
Non-current assets			
Intangible assets	8	980,791	264,078
Current assets			
Trade and other receivables	9	55,364	29,383
Corporation tax		56,386	17,097
Total current assets		111,750	46,480
Total assets		1,092,541	310,558
Current liabilities			
Trade and other payables	10	(1,403,718)	(383,443)
Net current liabilities		(1,291,968)	(336,963)
Total assets less current liabilities		(311,177)	(72,885)
Non-current liabilities			
Provisions for liabilities	11	(1,216)	-
Total liabilities		(1,404,934)	(383,443)
Net liabilities		(312,393)	(72,885)
Equity			
Share capital	12	-	-
Accumulated losses		(312,393)	(72,885)
Shareholder's deficit		(312,393)	(72,885)

For the year ended 31 December 2020, 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;
- 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 4 to 16 were approved by the Board of Directors on 20 September 2021 and were signed on its behalf by:



A Walker
Director

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

Statement of changes in equity
for the year ended 31 December 2020

	Notes	Share capital £'000	Accumulated losses £'000	Total £'000
At 11 December 2018		-	-	-
Loss for the financial period		-	(72,885)	(72,885)
Ordinary shares issued	11	-	-	-
At 31 December 2019		-	(72,885)	(72,885)
Loss for the year		-	(239,508)	(239,508)
Ordinary shares issued	11	-	-	-
At 31 December 2020		-	(312,393)	(312,393)

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

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 Company's principal activities 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 Group companies 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 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 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 the potential risks to the research and development activities of the Company. 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.

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';

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

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

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Disclosure exemptions adopted (continued)

- 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'.

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.

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

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

2 Summary of significant accounting policies (continued)

(b) Ultimate and immediate parent undertaking

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 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 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.

(h) Finance expense

Finance expense is recognised on an accruals basis using the effective interest method.

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

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, 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.

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

2 Summary of significant accounting policies (continued)

(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.

(n) Taxation

Current tax is provided at the amounts expected to be paid 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 instrument used by the Company is foreign exchange forward contracts. 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.

(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

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.

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

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

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

	For the period from 11 December 2018 to 31 December	
	2020	2019
	£'000	£'000
The following items have been charged / (credited) in operating loss:		
Exchange gains on foreign currency transactions	(3,175)	(314)
Research and development expenditure	213,793	80,057
Management fee	13	49

GlaxoSmithKline Services Unlimited provides various services and facilities to the Company including finance and administrative services for which a management fee is charged. Included in the management fee is a charge for auditor's remuneration of £nil (2019: £36,000).

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

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

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.

6 Finance expense

	For the period from 11 December 2018 to 31 December	
	2020	2019
	£'000	£'000
Interest expense on swaps	-	(549)
Interest payable to Group companies	(4,347)	(1,857)
	(4,347)	(2,406)

7 Taxation

	For the period from 11 December 2018 to 31 December	
	2020	2019
	£'000	£'000
Income tax credit on loss		
Current tax:		
UK corporation tax	(56,200)	(17,097)
Adjustments in respect of prior periods	19	-
Total current tax	(56,181)	(17,097)
Total tax credit for the year / financial period	(56,181)	(17,097)

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

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

7 Taxation (continued)

The tax assessed for the year is same (2019: same) 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:

	2020 £'000	For the period from 11 December 2018 to 31 December 2019 £'000
Reconciliation of total tax credit		
Loss on ordinary activities before taxation	(295,689)	(89,982)
Loss on ordinary activities at the UK statutory rate 19.00% (2019: 19.00%)	(56,181)	(17,097)
Effects of:		
Non-taxable income	(19)	-
Adjustments to tax charge in respect of previous periods	19	-
Total tax credit for the year	(56,181)	(17,097)

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%. 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.

8 Intangible assets

	Licence 2020 £'000
Cost	
At 1 January 2020	264,078
Additions	777,786
At 31 December 2020	1,041,864
Accumulated amortisation	
At 1 January 2020	-
Charge for the year	(61,073)
At 31 December 2020	(61,073)
Net book value at 1 January 2020	264,078
Net book value at 31 December 2020	980,791

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

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

8 Intangible assets (continued)

The addition of £777,786,000 (2019: £264,078,000) during the year relates to a co-development and co-commercialisation licence agreement and is capitalised as a license of rights to intellectual property.

The intangible asset is not considered to be available for use until the product derived in accordance with the agreement receives regulatory approval. Amortisation will commence upon regulatory approval and continue over the length of the useful life over which the Company expects economic benefits to flow to it from this asset.

9 Trade and other receivables

	2020	2019
	£'000	£'000
Amounts due within one year		
Amounts owed by Group undertakings	51,050	29,383
Other receivables	4,314	-
	55,364	29,383

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

10 Trade and other payables

	2020	2019
	£'000	£'000
Amounts falling due within one year		
Amounts owed to Group undertakings	1,345,664	336,690
Trade payables	58,054	-
Other payables	-	46,753
	1,403,718	383,443

The amounts owed by Group undertakings are unsecured, interest free and are repayable on demand except for a call account balance with GlaxoSmithKline Finance plc of £935,272,000 (2019: £266,450,000) and GlaxoSmithKline IHC Limited of £352,402,000 (2019: £54,346,000) which is unsecured with interest paid at LIBOR rate plus 0.25% per annum and repayable on demand.

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:

	Litigation provision
	£'000
At 1 January 2020	-
Net charge for the year	(1,283)
Exchange differences	67
At 31 December 2020	(1,216)

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 three years.

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

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

12 Share capital

	2020		2019	
	Number of	2020	Number of	2019
	shares	£'000	shares	£'000
Authorised				
Ordinary Shares of £1 each (2019: £1 each).	100	-	100	-

13 Commitments

	2020	2019
	£'000	£'000
Capital commitments		
Contracted for but not provided in the financial statements		
Intangible assets	5,171,622	3,086,957

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 the agreement 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.

14 Contingent liabilities

Group banking arrangement

The Company, together with fellow Group undertakings has entered into a Group banking arrangement with the Company's principal bank. The bank holds the right to pay and apply funds from any account of the Company to settle any indebtedness to the bank of any other party to this agreement. The Company's maximum potential liability as at 31 December 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.

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. 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).

16 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.