

GlaxoSmithKline Consumer Trading Services Limited
(Registered number: 08114550)

Annual Report

for the year ended 31 December 2018



Registered office address:

980 Great West Road
Brentford
Middlesex
TW8 9GS
England

**GlaxoSmithKline Consumer Trading Services Limited
(Registered number: 08114550)**

Annual Report

for the year ended 31 December 2018

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GlaxoSmithKline Consumer Trading Services Limited
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Strategic report for the year ended 31 December 2018

The Directors present their strategic report on GlaxoSmithKline Consumer Trading Services Limited (the "Company") for the year ended 31 December 2018.

Principal activities and future developments

The Company is a member of 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 principal activities of the Company comprises of exports from the UK to subsidiary undertakings and certain imports from overseas subsidiary undertakings. In support of these sales and in addition to its own costs, the Company bears appropriate related expenses recharged by the Group, including a fee relating to distribution rights.

The Directors do not envisage any change to the nature of the business in the foreseeable future.

Review of business

The Company made a profit for the financial year of £5,642,000 (2017: profit of £1,408,000). The Directors are of the opinion that the current level of activity and the year end financial position are satisfactory and will remain so in the foreseeable future.

The profit for the year of £5,642,000 will be transferred to reserves (2017: profit of £1,408,000 transferred to reserves).

Acquisitions

On 27 March 2018, the Group announced that it had reached an agreement with Novartis to buyout its 36.5% stake in the Consumer Healthcare Joint Venture for \$13 billion (£9.7 billion) (the "Novartis transaction"). The Novartis transaction was approved by shareholders on 3 May 2018 and completed on 1 June 2018.

Subsequently on 19 December 2018, the Group has also announced the formation of a new Consumer Healthcare Joint Venture with Pfizer in an all-share transaction (the "Pfizer transaction"). The Group will have a majority controlling equity interest of 68% and Pfizer will have an equity interest of 32% in the Joint Venture. The proposed Pfizer transaction is subject to approval by the Group's shareholders and conditional upon the receipt of certain anti-trust authority approvals. Subject to these approvals, the transaction is expected to close in the second half of 2019. It was also announced that within 3 years of the closing of the Pfizer transaction, the Group intends to separate the Joint Venture via a demerger of its equity interest and a listing of the GSK Consumer Healthcare Joint Venture on the UK equity market.

The Company was not directly involved in the transactions mentioned above.

Principal risks and uncertainties

The Directors of GlaxoSmithKline plc manage the risks of the "Group" at a group level, rather than at an individual statutory entity level. For this reason, the Company's Directors believe that a discussion of the Group's risks would not be appropriate for an understanding of the development, performance or position of the Company's business. The principal risks and uncertainties of the Group, which include those of the Company, are discussed in the Group's 2018 Annual Report which does not form part of this report.

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Strategic report for the year ended 31 December 2018

Key performance indicators (KPIs)

The Directors of the Group manage the Group's operations on an operating segment basis. For this reason, the Company's Directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the Company's business. The development, performance and position of the Group are discussed in the Group's 2018 Annual Report which does not form part of this report.

Post balance sheet events

In 2019 the Group undertook a reorganisation affecting multiple group companies. Subsequently, on 2 July 2019 the entire issued share capital of the Company was transferred to GSK Consumer Healthcare Holdings No. 2 LLC.

Approach to Brexit

In preparing for the UK's exit from the EU (Brexit), the Directors of the Group have taken a risk-based approach to maintain continuity of supply of our consumer healthcare products to the people in the UK and EU at the Group level, rather than at an individual statutory entity level. For this reason, the Company's Directors believe that a discussion of the Group's approach to Brexit would not be appropriate for an understanding of the impact of Brexit to the position of the Company's business. The Group's approach to Brexit, which includes that of the Company, is discussed in the Group's 2018 annual report which does not form part of this report.

On behalf of the Board



Aidan Joseph Lynch
Director
5 September 2019

GlaxoSmithKline Consumer Trading Services Limited
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Directors' report for the year ended 31 December 2018

The Directors present their report on the Company and the audited financial statements of the Company for the year ended 31 December 2018.

Results and dividends

The Company's results for the financial year are shown in the statement of comprehensive income on page 8.

No dividend is proposed to the holders of ordinary shares in respect of the year ended 31 December 2018 (2017: £nil).

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:

Richard Green	
Neil O'Hara	
Glaxo Group Limited	
Edinburgh Pharmaceutical Industries Limited	
Tobias Hestler	(Appointed on 15 January 2019)
Aidan Joseph Lynch	(Appointed on 30 April 2019)
Melanie Foster-Hawes	(Resigned on 15 January 2019)
Antrinkos Andrew Aristidou	(Appointed on 19 August 2019)

No Director had, during the year or at the end of the year, any material interest in any contract of significance to the Company's business with the exception of the Corporate Directors, where such an interest may arise in the ordinary course of business. A Corporate Director is a legal entity of the Group, as opposed to a natural person (an individual) Director.

Directors' indemnity

Each of the Directors who is an individual benefits from an indemnity given by another Group undertaking, GlaxoSmithKline Services Unlimited. This indemnity is in respect of liabilities arising out of third party proceedings to which the Director is a party by reason of his, her or 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 elected to prepare 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.

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Directors' report for the year ended 31 December 2018

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 page 1 and 2:

- principal activities and future developments;
- review of business;
- acquisitions;
- principal risks and uncertainties;
- key performance indicators;
- post balance sheet events; and
- approach to Brexit.

Governance

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 2018.


Disclosure of information to auditors

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

Independent auditor

PricewaterhouseCoopers LLP resigned during the year as the Company's auditor. Subsequently Deloitte LLP were appointed to act as the Company's auditor pursuant to section 485(3) Companies Act 2006.

On behalf of the Board



Aidan Joseph Lynch
Director
5 September 2019

GlaxoSmithKline Consumer Trading Services Limited
(Registered number: 08114550)

Independent auditor's report to the members of GlaxoSmithKline Consumer Trading Services Limited

Report on the audit of the financial statements

Opinion

In our opinion, the financial statements of GlaxoSmithKline Consumer Trading Services Limited (the 'Company') :

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit 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 19.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

GlaxoSmithKline Consumer Trading Services Limited
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Independent auditor's report to the members of GlaxoSmithKline Consumer Trading Services Limited

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

GlaxoSmithKline Consumer Trading Services Limited
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Independent auditor's report to the members of GlaxoSmithKline Consumer Trading Services Limited

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;

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
London, United Kingdom
6 September 2019

GlaxoSmithKline Consumer Trading Services Limited
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Statement of comprehensive income
for the year ended December 2018

		2018	2017
	Note	£'000	£'000
Turnover	4	2,711,150	2,477,550
Cost of sales		(2,640,914)	(2,411,517)
Gross profit		70,236	66,033
Selling and distribution costs		(53,415)	(55,856)
Administrative and other operating expense		(9,335)	(6,061)
Operating profit	5	7,486	4,116
Profit before interest and taxation		7,486	4,116
Finance income	7	1,158	366
Finance expense	8	(1,614)	(1,627)
Finance expense - net		(456)	(1,261)
Profit before taxation		7,030	2,855
Taxation	9	(1,388)	(1,447)
Profit for the year		5,642	1,408

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 Consumer Trading Services Limited
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Balance sheet
as at 31 December 2018

	Note	2018 £'000	2017 £'000
Non-current assets			
Property, plant and equipment	10	-	10,815
Current assets			
Inventories	11	221,376	245,754
Trade and other receivables	12	580,261	521,206
Derivative financial instruments	13	717	-
Cash and cash equivalents		5,807	3,276
Total current assets		808,161	770,236
Total assets		808,161	781,051
Current liabilities			
Trade and other payables	14	(782,905)	(761,228)
Derivative financial instruments	13	(123)	-
Total current liabilities		(783,028)	(761,228)
Net current assets		25,133	9,008
Total assets less current liabilities		25,133	19,823
Non-current liabilities			
Deferred tax liabilities	9	-	(332)
Total liabilities		(783,028)	(761,560)
Net assets		25,133	19,491
Equity			
Share capital	15	-	-
Retained earnings		25,133	19,491
Shareholders' equity		25,133	19,491

The financial statements on pages 8 to 24 were approved by the Board of Directors on 5 September 2019 and signed on its behalf by:



Aidan Joseph Lynch
Director

GlaxoSmithKline Consumer Trading Services Limited
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Statement of changes in equity
for the year ended 31 December 2018

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 January 2017	-	18,083	18,083
Profit for the year	-	1,408	1,408
At 31 December 2017	-	19,491	19,491
Profit for the year	-	5,642	5,642
At 31 December 2018	-	25,133	25,133

GlaxoSmithKline Consumer Trading Services Limited
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Notes to the financial statements for the year ended 31 December 2018

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 980 Great West Road, Brentford, Middlesex TW8 9GS.

The Company is responsible for exports from the UK to subsidiary undertakings. It is also responsible for certain imports from overseas subsidiary undertakings. In support of these sales and in addition to its own costs, the Company bears appropriate related expenses recharged by the Group, including a fee relating to distribution rights.

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, and in accordance with the Companies Act 2006.

The financial statements are presented in Pounds Sterling.

Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. 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.

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Notes to the financial statements for the year ended 31 December 2018

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

- 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'.
- 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.
- 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 undertaking

The Company is a wholly owned subsidiary of the ultimate parent company, GlaxoSmithKline plc, a company registered in England and Wales, is the Company's ultimate parent undertaking and controlling party. The largest and smallest group of undertakings for which group financial statements are prepared and which include the results of the Company are the consolidated financial statements of GlaxoSmithKline plc. Copies of the consolidated financial statements can be obtained from the Company Secretary, GlaxoSmithKline plc, 980 Great West Road, Brentford, Middlesex TW8 9GS. The immediate parent undertaking is GlaxoSmithKline Consumer Healthcare Holdings Limited. These financial statements are separate financial statements.

(c) Implementation of IFRS 9 'Financial instruments'

The Company has applied IFRS 9 'Financial instruments' with effect from 1 January 2018. IFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities and impairment for financial assets.

Details of these new requirements as well as their impact on the Company's financial statements are described below. The Company has adopted IFRS 9 retrospectively but with certain permitted exceptions as detailed below.

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Notes to the financial statements for the year ended 31 December 2018

2 Summary of significant accounting policies (continued)

(c) Implementation of IFRS 9 'Financial instruments' (continued)

Classification and measurement of financial assets

The date of initial application was 1 January 2018. The Company has not applied the requirements of IFRS 9 to instruments that were derecognised prior to 1 January 2018 and has not restated prior years. Any difference between the previous carrying amount and the revised carrying amount at 1 January 2018 has been recognised as an adjustment to opening retained earnings at 1 January 2018.

All financial assets that are within the scope of IFRS 9 are required to be measured at amortised cost or fair value, with movements through statement of comprehensive income on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The Company's trade and other receivables were all classified as financial assets measured at amortised cost under IAS 39. Under IFRS 9, the business model under which each portfolio of trade and other receivables held has been assessed. The Company has a portfolio of financial assets under IFRS 9 to collect the contractual cash flows which is measured at amortised cost.

There were no material changes in the carrying value of the financial assets as a result of these changes in measurement basis.

Impairment of financial assets

IFRS 9 requires an expected credit loss (ECL) model to be applied to financial assets rather than the incurred credit loss model required under IAS 39. The expected credit loss model requires the Company to account for expected losses as a result of credit risk on initial recognition of financial assets and to recognise changes in those expected credit losses at each reporting date.

12-month ECLs are applied to all financial assets not measured at FVTPL except for net trade receivables which are measured reflecting lifetime ECLs using the simplified approach. No ECL allowance for trade receivables was recognised on transition to IFRS 9. There were no other transition adjustments arising from the change in impairment basis.

(d) Implementation of IFRS 15 Revenue from contracts with customers

The Company has applied IFRS 15 'Revenue from contracts with customers' with effect from 1 January 2018. IFRS 15 provides a single, principles-based approach to the recognition of revenue from all contracts with customers. It focuses on the identification of performance obligations in a contract and requires revenue to be recognised when or as those performance obligations are satisfied.

The Company adopted IFRS 15 applying the modified retrospective approach. IFRS 15 did not have a material impact on the amount or timing of recognition of reported revenue. In accordance with the requirements of IFRS 15 where the modified retrospective approach is adopted, prior year results have not been restated.

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Notes to the financial statements for the year ended 31 December 2018

2 Summary of significant accounting policies (continued)

(e) 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.

(f) Turnover

The Company recognises turnover for supply of goods and services to or other Group companies against orders received. The majority of contracts that the Company enters into relate to sales orders containing single performance obligations for the delivery of pharmaceutical products. The average duration of a sales order is less than 12 months.

Turnover is recognised when control of the goods or services is passed to the customers. For manufacturing arrangements where goods are sold by the Company to other Group companies, turnover is recognised when control of the goods is passed to the customer. The point at which the control passes is determined by each customer arrangement. Turnover represents net invoice value including fixed and variable consideration. Variable consideration arises on the sale of goods as a result of discounts and allowances given and accruals for estimated future returns and rebates. Turnover is not recognised in full until it is highly probable that a significant reversal in the amount of cumulative turnover recognised will not occur. The methodology and assumptions used to estimate rebates and returns are monitored and adjusted regularly in the light of contractual and legal obligations, historical trends, past experience and projected market conditions. Once the uncertainty associated with the returns and rebates is resolved, turnover is adjusted accordingly. Value added tax and other sales taxes are excluded from turnover.

For manufacturing arrangements where the Company provides manufacturing services to other Group companies, turnover is recognised over time as the services are provided and corresponding costs incurred. Turnover represents the recharge of manufacturing costs to other Group companies with an agreed mark-up, excluding value added tax and other sales taxes.

(g) 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 expenditure is charged to the statement of comprehensive income as incurred. Shipment costs on inter-company transfers are charged to cost of sales. Distribution costs on sales to customers are included in selling and distribution costs in the statement of comprehensive income.

(h) Finance income and expense

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

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Notes to the financial statements for the year ended 31 December 2018

2 Summary of significant accounting policies (continued)

(i) Property, plant and equipment

Property, plant and equipment is stated at the cost of purchase or construction less provisions for depreciation and impairment. Financing costs are capitalised within the cost of qualifying assets in construction.

Depreciation is calculated to write off the cost of property, plant and equipment, excluding freehold land, using the straight-line basis over their expected useful lives in equal annual instalments over their expected useful lives. The normal expected useful lives of the major categories of property, plant and equipment are:

Plant, equipment and vehicles 3 to 20 years

(j) 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. Any provision for impairment is charged to the statement of comprehensive income against profit in the year concerned.

(k) Inventories

Inventories are included in the financial statements at the lower of cost (including raw materials, direct labour, other direct costs and related production overheads, where appropriate) or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Cost is generally determined on a first in, first out basis. Pre-launch inventory is held as an asset when there is a high probability of regulatory approval for the product. Before that point a provision is made against the carrying value to its recoverable amount; the provision is then reversed at the point when a high probability of regulatory approval is determined.

(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 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 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.

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Notes to the financial statements for the year ended 31 December 2018

2 Summary of significant accounting policies (continued)

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, current balances with banks and similar institutions and highly liquid investments with maturities of three months or less. They are readily convertible into known amounts of cash and have an insignificant risk of changes in value.

(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 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 on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is provided using rates of tax that have been enacted or substantively enacted by the balance sheet date.

(p) 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 exchange forward contracts. The Company does not hold or issue derivative financial instruments for trading or speculative purposes.

Derivative financial instruments are classified as held-for-trading and are measured at fair value.

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

(q) Share capital

Ordinary shares are classified as equity.

(r) Turnover for periods up to and including 31 December 2017

Turnover is recognised in the statement of comprehensive income when goods or services are supplied or made available to other Group companies against orders received, title and risk of loss is passed to the customer, reliable estimates can be made of the relevant deductions and all relevant obligations have been fulfilled, such that the earnings process is regarded as being complete.

Turnover represents the net invoice value after the deduction of discounts and allowances given and accruals for estimated future rebates and returns. Value added tax and other sales taxes are excluded from turnover.

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2 Summary of significant accounting policies (continued)

(s) Trade and other receivables for periods up to and including 31 December 2017

Trade and other receivables are carried at original invoice amount less any provisions for doubtful debts. Provisions are made where there is evidence of a risk of non-payment, taking into account ageing, previous experience and general economic conditions. When a trade or other receivable is determined to be uncollectable it is written off, firstly against any provisions 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.

3 Critical accounting judgments 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 Directors do not consider that there are any critical accounting judgments, apart from those involving estimations (which are dealt with separately below), that have been made in the process of applying the Company's accounting policies and that have had a significant effect on the amounts recognised in the financial statements.

(a) Turnover

Gross turnover is reduced by rebates, discounts, allowances and product returns given or expected to be given, which vary by product arrangement and buying groups. These arrangements with purchasing organisations are dependent upon the submission of claims some time after the initial recognition of the sale. Accruals are made at the time of sale for estimated rebates, discounts or allowances payable or returns to be made, based on available market information and historical experience.

Because the amounts are estimated they may not fully reflect the final outcome, and the amounts are subject to change dependent upon, amongst other things, the types of buying group and product sales mix.

The level of accrual for rebates and returns is reviewed and adjusted regularly in the light of contractual and legal obligations, historical trends, past experience and projected market conditions. Market conditions are evaluated using wholesaler and other third-party analyses, market research data and internally generated information. Turnover is not recognised in full until it is highly probable that a significant reversal in the amount of cumulative turnover recognised will not occur. Future events could cause the assumptions on which the accruals are based to change, which could affect the future results of the Company.

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4 Turnover

Analysis of turnover by geography:

	2018	2017
	£'000	£'000
US	243,757	141,429
Europe	1,584,958	1,327,523
International	668,124	634,285
UK	214,311	374,313
	2,711,150	2,477,550

Turnover by geographical segment comprises:

	Sales to third party customers		Sales to Group Companies	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
US	-	-	243,757	141,429
Europe	36,286	33,566	1,548,672	1,293,957
International	-	-	668,124	634,285
UK	-	-	214,311	374,313
	36,286	33,566	2,674,864	2,443,984

The Company only operates in the Consumer Healthcare business sector.

5 Operating profit

	2018	2017
	£'000	£'000
The following items have been charged / (credited) in operating profit:		
Depreciation of property, plant and equipment:		
Owned assets	-	1,887
Inventories:		
Cost of inventories included in cost of sales	1,921,049	1,619,913
Write-down of inventories	3,552	-
Movement in inventory provisions	-	(1,977)
Exchange gains on foreign currency transactions	(3,431)	(2,659)
Audit fees	43	42

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 remuneration of £42,500 (2017: £42,000).

6 Employees

The Company has no employees. All UK personnel providing services to the Company are remunerated by a combination of GlaxoSmithKline Consumer Healthcare (UK) Trading Limited and GlaxoSmithKline Services Unlimited. A management fee has not been charged by GlaxoSmithKline Services Unlimited for services provided to the Company.

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Notes to the financial statements for the year ended 31 December 2018

7 Finance income	2018	2017
	£'000	£'000
On loans with Group undertakings	693	195
Bank interest income	77	47
Swap interest income	388	124
Total finance income	1,158	366
8 Finance expense	2018	2017
	£'000	£'000
Bank interest expense	792	788
Swap interest expense	822	839
Total finance expense	1,614	1,627
9 Taxation	2018	2017
	£'000	£'000
Income tax expense on profit	£'000	£'000
Current tax:		
UK corporation tax	1,720	1,437
Total current tax	1,720	1,437
Deferred tax:		
Origination and reversal of timing differences	(332)	10
Total deferred tax	(332)	10
Total tax charge for the year	1,388	1,447

The tax assessed for the year is higher (2017: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2018 of 19.00% (2017: 19.25%). The differences are explained below:

Reconciliation of total tax charge	2018	2017
	£'000	£'000
Profit on ordinary activities before tax	7,030	2,855
Tax on ordinary activities at the UK statutory rate 19.00% (2017: 19.25%)	1,336	549
Effects of:		
Expenses not deductible for tax purposes	13	899
Impact of rate changes	39	(1)
Total tax charge for the year	1,388	1,447

Factors that may affect future tax charges:

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015, and a further reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

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9 Taxation (continued)

Movement in deferred tax liabilities

	Accelerated capital allowances £'000
At 1 January 2017	(322)
Deferred tax credited in the statement of comprehensive income for the financial year	(10)
At 31 December 2017	(332)
At 1 January 2018	(332)
Deferred tax charged in the statement of comprehensive income for the financial year	332
At 31 December 2018	-

After offsetting deferred tax assets and liabilities where appropriate, the net deferred tax balance comprises:

	2018 £'000	2017 £'000
Deferred tax liability	-	(332)

10 Property, plant and equipment

	Plant, equipment and vehicles £'000
Cost	
At 1 January 2018	15,678
Disposals and write-offs	(15,678)
At 31 December 2018	-
Accumulated depreciation	
At 1 January 2018	(4,863)
Disposals and write-offs	4,863
At 31 December 2018	-
Net book value at 31 December 2017	10,815
Net book value at 31 December 2018	-

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Notes to the financial statements for the year ended 31 December 2018

11 Inventories

	2018	2017
	£'000	£'000
Raw materials and consumables	-	6,122
Finished goods	221,376	239,632
	221,376	245,754

The replacement cost of stock is not materially different from original cost.

12 Trade and other receivables

	2018	2017
	£'000	£'000
Amounts due within one year		
Trade receivables	7,588	6,374
Amounts owed by Group undertakings	466,164	492,912
Other receivables	106,509	21,920
	580,261	521,206

The amounts owed by Group undertakings are unsecured, interest free and are repayable on demand, except for a call account balance with GlaxoSmithKline IHC Limited of £10,036,000 (2017: £17,377,000) and GlaxoSmithKline Consumer Healthcare Finance Limited of £109,784,000 (2017: £89,954,000) which is unsecured with interest received at LIBOR rate less 0.125% (2017: LIBOR rate less 0.125%) per annum and interest received at LIBOR rate less 0.125% (2017: LIBOR rate less 0.125%) per annum respectively which are repayable on demand.

13 Derivative financial instruments

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

	2018		2017	
	Assets	Liabilities	Assets	Liabilities
	£'000	£'000	£'000	£'000
Forward foreign exchange contracts fair value hedges	717	(123)	-	-

(a) Forward foreign exchange contracts

The notional principal amounts of the outstanding derivative instruments at 31 December 2018 were £640,000 (2017: £nil).

These derivative financial instruments are used to mitigate exposure to foreign exchange transactional risks. The derivative financial instruments are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The valuations of derivative financial instruments are based on the present value of net contractual cash flows using market sourced data (exchange rates).

All outstanding contracts have a maturity of 12 months or less.

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14 Trade and other payables

	2018	2017
	£'000	£'000
Amounts falling due within one year		
Trade payables	45,677	52,444
Amounts owed to Group undertakings	733,837	702,408
Corporation tax	2,009	539
Other payables	1,382	5,837
	782,905	761,228

The corporation tax creditor contains amounts which will be paid to fellow Group companies.

15 Share capital

	2018	2017	2018	2017
	Number of	Number of	£'000	£'000
	shares	shares		
Issued and fully paid				
Ordinary Shares of £1 each (2017: £1 each)	1	1	-	-

16 Events after the end of the reporting period

In 2019 the Group undertook a reorganisation affecting multiple group companies. Subsequently, on 2 July 2019 the entire issued share capital of the Company was transferred to GSK Consumer Healthcare Holdings No. 2 LLC.

17 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 (2017: £nil). Corporate Directors received no remuneration during the year, either as executives of the Group or in respect of their services to the Company (2017: £nil).

18 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 2018 is limited to the amount held on its accounts with the bank. No loss is expected to accrue to the Company from the agreement.

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Notes to the financial statements for the year ended 31 December 2018

19 Related party transactions

Effective from 1 June 2018, as a wholly owned subsidiary of the ultimate parent company, GlaxoSmithKline plc, the Company has taken advantage 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.

Prior to 1 June 2018, the Company took advantage of the exemption afforded by FRS 101 'Reduced disclosure framework' not to disclose any related party transactions with other wholly owned members of the Consumer Healthcare Business, or information around remuneration of key management personnel compensation. The company had significant transactions with other GlaxoSmithKline group companies. Details of other material related party transactions up to 31 May 2018 are disclosed below.

The costs are included in the statement of comprehensive income within cost of sales, administrative expenses, selling and distribution costs, research and development expenditure and other operating expenses.

The table below shows the value of these transactions:

Name of related party	2018 £'000	2017 £'000
Sino-American Tianjin Smith Kline & French Laboratories Ltd	10,877	-
GlaxoSmithKline Sante Grand Public SAS	1,815	-
GlaxoSmithKline Healthcare ZAO	2,668	-
Block Drug Company, Inc. (C-ERP)	170	-
Stiefel Laboratories (Ireland) Limited	-	1,009
GlaxoSmithKline Export Limited	(20,403)	(86,956)
GlaxoSmithKline Services Unlimited	65,922	117,138
GlaxoSmithKline Pte Ltd	20	12,955
GlaxoSmithKline Limited	88	1
GlaxoSmithKline Pharma GmbH	-	33
GlaxoSmithKline s.r.o.	-	(49)
GlaxoSmithKline Pakistan Limited	(53)	(147)
GlaxoSmithKline (China) Investment Co Ltd	3,802	3,967

The amounts receivable from/(payable) to related parties at the end of 2017 were:

Name of related party	2017 £ '000
GlaxoSmithKline Philippines Inc.	3
GlaxoSmithKline Argentina S.A.	1,982
GlaxoSmithKline Brasil Limitada	5,139
Laboratorios Stiefel Ltda.	362
GlaxoSmithKline Chile Farmaceutica Limitada	1,589
Laboratorios Stiefel de Chile & CIA LTDA	95
GlaxoSmithKline (China) Investment Co Ltd	(6,408)
GlaxoSmithKline Colombia S.A.	728
GlaxoSmithKline s.r.o.	(9)

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Notes to the financial statements for the year ended 31 December 2018

19 Related party transactions (continued)

Name of related party	2017 £ '000
GlaxoSmithKline Ecuador S.A.	880
GlaxoSmithKline Export Limited	37,434
GlaxoSmithKline Services Unlimited	(42,551)
Glaxo Operations UK Limited	(425)
GlaxoSmithKline A.E.B.E.	28
GlaxoSmithKline Medicine and Healthcare Products Limited	(12)
PT Glaxo Wellcome Indonesia	19
GlaxoSmithKline Trading Services Limited	(29,944)
GlaxoSmithKline (Israel) Ltd	(168)
GlaxoSmithKline Mexico S.A. de C.V.	(69)
GlaxoSmithKline Consumer Nigeria plc	(742)
GlaxoSmithKline Pakistan Limited	162
GlaxoSmithKline Peru S.A.	729
GlaxoSmithKline Pte Ltd	(6,187)
GlaxoSmithKline Consumer Healthcare Singapore Pte. Ltd	1,630
GlaxoSmithKline Ilaclari Sanayi ve Ticaret A.S.	20
GlaxoSmithKline Uruguay S.A.	160