

Glaxo Group Limited
(Registered number: 00305979)

Annual Report

for the year ended 31 December 2019

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



Glaxo Group Limited
(Registered number: 00305979)

Annual Report

for the year ended 31 December 2019

Contents	Pages
Strategic report	1-2
Directors' report	3-5
Independent auditor's report	6-8
Income statement	9
Statement of other comprehensive income	10
Balance sheet	11
Statement of changes in equity	12
Notes to the financial statements	13-34

Glaxo Group Limited
(Registered number: 00305979)

Strategic report for the year ended 31 December 2019

The Directors present their Strategic report on Glaxo Group Limited (the "Company") for the year ended 31 December 2019.

Principal activities and future developments

The Company is a member of the GlaxoSmithKline Group (the "Group"). The Company is a private company limited by shares and is incorporated and domiciled in the United Kingdom (England). The address of the registered office is 980 Great West Road, Brentford, Middlesex, TW8 9GS, England.

The principal activities of the Company are:

- (a) the holding of shares and other investments in subsidiaries, associates and third party equity investments; and
- (b) the holding of a small portfolio of intellectual property rights and licensing out these rights to the Group and third parties.

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 £322,462,000 (2018: profit of £130,428,000). 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 £322,462,000 will be transferred to reserves (2018: profit for the year of £130,428,000 transferred to reserves).

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 2019 annual report which does not form part of this report.

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 2019 annual report which does not form part of this report.

Glaxo Group Limited
(Registered number: 00305979)

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

Approach to Brexit

In preparing for the UK's exit from the EU (Brexit), our overriding priority has been to maintain continuity of supply of our products to people in the UK and EU. As a result, we have taken a risk based approach to planning and mitigation, in conjunction and complete alignment with the Group, whilst the negotiations on future relationships between the UK and the European Union is negotiated.

We have significant experience of maintaining resilient supply chains and have used existing processes to develop a new supply model based on the UK leaving the EU. Uncertainty remains about the new operating environment after the transition ends on 31 December 2020, but all preparations are being taken to minimise disruption to the supply of our products to consumers.

Risks associated with the coronavirus outbreak

The potential impact of the coronavirus outbreak on the Company's trading performance remains uncertain. Up to the date of this report, the outbreak has not had a material impact on the trading results of the Company. The pandemic has impacted the trading results of Vaccines during the first half of 2020 primarily in demand for Vaccines as a result of containment measures impacting customers' ability and willingness to access vaccination services across all regions. We continue to monitor the situation closely, as this is clearly a very dynamic and uncertain situation with the ultimate severity, duration and impact unknown at this point including the potential impacts on trading results. The situation could change at any time and there can be no assurance that the COVID-19 will not have a material adverse impact on the future results of the Company.

Post balance sheet events

The Directors have considered the impact on the Company of the COVID-19 pandemic, which is a non-adjusting post balance sheet event. The Directors do not consider that there have been any material adverse changes to the carrying values of the Company's assets nor material adjustments to liabilities subsequent to the year-end which require disclosure in these financial statements.

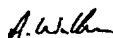
Section 172 Companies Act 2006 statement

The Company's governance architecture and processes are operated to ensure that all relevant matters are considered by the Board in its principal decision-making, as a means of contributing to the delivery of the Company's long-term priorities of Innovation, Performance and Trust.

In the performance of its duty to promote the success of the Company and the long-term priorities, the Board has agreed to a number of matters, including listening to and considering the views of shareholders and the Company's other stakeholders to build trust and ensure it fully understands the potential impacts of the decisions it makes for our stakeholders, the environment and the communities in which we operate.

The Company has engaged with its main stakeholder groups, including our patients, shareholders, consumers, customers and Group employees, as further detailed in the stakeholder engagement statements in the directors' report and the feedback from the engagement has been considered by the Directors during the decision-making process.

On behalf of the Board



A Walker
Director
17 August 2020

Directors' report for the year ended 31 December 2019

The Directors present their report on the Company and the audited financial statements for the year ended 31 December 2019.

Results and dividends

The Company's results for the financial year are shown in the income statement on page 9.

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

Research and development

The Company is responsible for initiating research and development ("R&D") activities, which are carried out by GlaxoSmithKline Research & Development Limited and other Group undertakings. In addition the Company has entered into a number of in-licensing initiatives that have strengthened the R&D pipeline, particularly in the later stages.

Financial instruments

The Company has entered into a foreign currency forward contract to hedge foreign exchange risk arising from its investment in subsidiary companies based overseas. Details on financial risk management are disclosed in Note 2(y).

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial

Edinburgh Pharmaceutical Industries Limited
The Wellcome Foundation Limited
A Walker
S Dingemans (resigned on 1 May 2019)
I Mackay (appointed on 1 May 2019)

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

Directors' indemnity

Each of the Directors benefits from an indemnity given by the Company under its articles of association. This indemnity is in respect of liabilities incurred by the Director in the execution and discharge of his, her or its duties.

In addition, 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 its 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.

Glaxo Group Limited
(Registered number: 00305979)

Directors' report for the year ended 31 December 2019 (continued)

Statement of Directors' responsibilities (continued)

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The following items have been included in the Strategic report on pages 1 and 2:

- principal activities and future developments;
- review of business;
- principal risks and uncertainties;
- key performance indicators (KPIs);
- approach to Brexit;
- risks associated with the coronavirus outbreak;
- post balance sheet events; and
- section 172 Companies Act 2006 statement.

Modern Slavery

The Company's approach to the Modern Slavery Act 2015 is set by the Group. Each year, as part of their governance arrangements, the Group formally reviews and approves the approach to the Modern Slavery Act 2015 and has confirmed that the approach is still valid for 2019.

Corporate Governance

As a subsidiary company of the Group which is listed on the New York and London Stock Exchanges, the Company has developed governance practices and processes that are fit for purpose.

The Directors have applied an undocumented system of governance by:

- (a) Promoting the purpose of the Group to deliver manufacturing and distribution of medicines through its subsidiaries' operations;
- (b) Regularly reviewing its composition to ensure that it has an appropriately diverse balance of skills, backgrounds, experience and knowledge and that individual Directors have sufficient capacity to make a valuable contribution;
- (c) To support effective decision-making Directors take into account the System of Internal Control and the Code of Conduct when acting in their capacity as a Director of the Company;
- (d) In accordance with the governance practices and processes that it adopts, the Board is supported by Systems of Internal Control to identify opportunities to create and preserve value; and
- (e) Having regard to and fostering good stakeholder relationships.

Glaxo Group Limited
(Registered number: 00305979)

Directors' report for the year ended 31 December 2019 (continued)

Stakeholder Engagement

The Company aims to build enduring relationships with governments, regulators, patients, customers, partners, suppliers and communities in the countries where it operates. The Company works with its business partners in an honest, respectful and responsible way and seeks to work with others who share the Company's commitments to safety, ethics and compliance.

The Company's activities affect a wide variety of individuals and organisations. The Company engages with these stakeholders and listens to their differing needs and priorities as an everyday part of its business and uses the input and feedback to inform its decision making.

On behalf of the Company, the Group participates in industry associations that offer opportunities to share good practices and collaborate on issues of importance. Additionally, the Group works with governments on a range of issues that are relevant to its business, from regulatory compliance, to collaborating on community initiatives.

The Group seeks to engage with customers through social media, focus groups and in-depth interviews with customers to better understand customer's needs and seek their feedback.

Going concern

Having assessed the principal risks and other matters, including the potential impact of the COVID-19 pandemic, the Directors are of the opinion that the current level of activity remains sustainable. In relation to the challenges that arise from the COVID-19 pandemic, the considerations have included potential risks related to services provided by the Company. The Directors have taken into account that as part of the GSK Group of companies, the Company has the ability to request support from the Group where necessary 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 of information to auditor

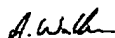
As far as each of the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware, and the Directors have taken all the steps that ought to have been taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's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

Independent Auditor

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

On behalf of the Board



A Walker
Director
17 August 2020

Glaxo Group Limited
(Registered number: 00305979)

Independent auditor's report to the members of Glaxo Group Limited

Report on the audit of the financial statements

Opinion

In our opinion, financial statements of Glaxo Group Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its 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 income statement;
- the statement of other comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 28.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

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

We have nothing to report in respect of these matters.

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.

Glaxo Group Limited
(Registered number: 00305979)

Independent auditor's report to the members of Glaxo Group Limited (continued)

Other information (continued)

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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and 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.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Glaxo Group Limited
(Registered number:00305979)

Independent auditor's report to the members of Glaxo Group Limited (continued)

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

The Company has passed a resolution in accordance with section 506 of the Companies Act that the senior statutory auditor's name should not be stated.

Deloitte LLP

Deloitte LLP
Statutory Auditor
Reading, United Kingdom
18th August 2020

Glaxo Group Limited
(Registered number: 00305979)

Income statement
for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Turnover	4	12,574	17,479
Cost of sales		(468)	(1,340)
Gross profit		12,106	16,139
Administrative expenses		(2,662)	286
Research and development expenditure		(4,833)	(4,912)
Other operating expenses		(93,963)	(130,454)
Income from subsidiaries, associates and equity investments	7	360,390	245,032
Gain on disposal of investments	13	16,252	-
Operating profit	5	287,290	126,091
Profit before interest and taxation		287,290	126,091
Finance income	8	14,114	4,683
Finance expense	9	(1,106)	(361)
Finance income - net		13,008	4,322
Profit before taxation		300,298	130,413
Taxation	10	22,164	15
Profit for the year		322,462	130,428

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

Glaxo Group Limited
(Registered number: 00305979)

**Statement of other comprehensive income
for the year ended 31 December 2019**

	2019	2018
	£'000	£'000
Profit for the year	322,462	130,428
Items that may be subsequently reclassified to the income statement:		
Fair value movements on financial assets at fair value through other comprehensive (expense) / income	(49,658)	116,069
Fair value movements on forward foreign exchange contracts and currency swap	-	158
Deferred tax on fair value movements on forward foreign exchange contracts and currency swap	-	(27)
Other comprehensive (expense) / income for the year	(49,658)	116,200
Total comprehensive income for the year	272,804	246,628

Glaxo Group Limited
(Registered number: 00305979)

Balance sheet
as at 31 December 2019

	Notes	2019 £'000	2018 £'000
Non-current assets			
Property, plant and equipment	11	1,242	1,387
Intangible assets	12	8,987	14,178
Investments in subsidiaries	13	9,665,365	9,661,767
Investments in associates	14	326,999	316,877
Equity investments	15	847,208	709,217
Investment properties	16	6,274	6,462
Trade and other receivables	17	11,536	-
Deferred tax assets	10	4,550	4,801
Total non-current assets		10,872,161	10,714,689
Current assets			
Trade and other receivables	17	1,245,060	969,635
Prepayments and accrued income		-	5,310
Derivative financial instruments	18	3,305	-
Cash and cash equivalents		995	455
Assets held for sale	19	-	-
Total current assets		1,249,360	975,400
Total assets		12,121,521	11,690,089
Current liabilities			
Trade and other payables	19	(258,044)	(85,371)
Corporation tax		(42,498)	(75,085)
Derivative financial instruments	18	(837)	(51)
Accruals and deferred income	20	(26,576)	(10,864)
Provisions for liabilities	21	(94)	(82)
Total current liabilities		(328,049)	(171,453)
Net current assets		921,311	803,947
Total assets less current liabilities		11,793,472	11,518,636
Non-current liabilities			
Accruals and deferred income	20	(14,427)	(16,045)
Contingent consideration liability	22	(3,650)	-
Total non-current liabilities		(18,077)	(16,045)
Total liabilities		(346,126)	(187,498)
Net assets		11,775,395	11,502,591
Equity			
Share capital	23	808,994	808,994
Share premium		2,730,743	2,730,743
Other reserves		5,053,619	5,103,277
Retained earnings		3,182,039	2,859,577
Shareholder's equity		11,775,395	11,502,591

The financial statements on pages 9 to 34 were approved by the Board of Directors on 17 August 2020 and were signed on its behalf by:



A Walker
Director

Glaxo Group Limited
(Registered number: 00305979)

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

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 January 2018	808,994	2,730,743	4,975,240	2,740,986	11,255,963
Profit for the year	-	-	-	130,428	130,428
Transfer to retained earnings on disposal of equity investments	-	-	11,837	(11,837)	-
Other comprehensive expense	-	-	116,200	-	116,200
Total comprehensive income for the year	-	-	128,037	118,591	246,628
At 31 December 2018	808,994	2,730,743	5,103,277	2,859,577	11,502,591
Profit for the year	-	-	-	322,462	322,462
Transfer to retained earnings on disposal	-	-	-	-	-
Other comprehensive loss	-	-	(49,658)	-	(49,658)
Total comprehensive income for the year	-	-	(49,658)	322,462	272,804
At 31 December 2019	808,994	2,730,743	5,053,619	3,182,039	11,775,395

Other reserves are non-distributable and relate to the fair value movements of assets that have subsequently been reorganised within the Group.

Glaxo Group Limited
(Registered number: 00305979)

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

1 Presentation of the financial statements

General information

The Company is a member of the GlaxoSmithKline Group (the "Group"). The Company is a private company limited by shares and is incorporated and domiciled in the United Kingdom (England). The address of the registered office is 980 Great West Road, Brentford, Middlesex, TW8 9GS.

The principal activities of the Company:

- (a) the holding of shares and other investments in subsidiaries, associates and third party equity investments; and
- (b) the holding of a small portfolio of intellectual property rights and licensing out these rights to the Group and third parties.

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 the profit and loss, financial assets at fair value through other comprehensive income and equity investments, and in accordance with the Companies Act 2006.

The financial statements are presented in Pounds Sterling.

Going concern basis

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 related to services provided by the Company. The Directors have taken into account that as part of the GSK Group of companies, the Company has the ability to request support from the Group where necessary 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';

Glaxo Group Limited
(Registered number: 00305979)

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

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Disclosure exemptions adopted (continued)

- The requirements of paragraph 33(c) of IFRS 5, 'Non-current Assets Held for Sale and Discontinued operations';
- IFRS 7, 'Financial instruments: disclosures';
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15, 'Revenue from Contracts with Customers';
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - (i) paragraph 79(a) (iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16, 'Property, plant and equipment';
 - (iii) paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period);
 - (iv) paragraph 76 and 79(d) of IAS 40, 'Investment property'; and
 - (v) paragraph 50 of IAS 41, 'Agriculture'.
- The following paragraphs of IAS 1 'Presentation of financial statements':
 - 10(d), (statement of cash flows);
 - 10(f) (a balance sheet at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes 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.

Glaxo Group Limited
(Registered number: 00305979)

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

2 Summary of significant accounting policies (continued)

(b) Consolidation

The Company is a wholly owned subsidiary of the ultimate parent company and as such has taken advantage of the exemption from preparing group financial statements under section 400 of the Companies Act 2006. 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 of the Company is GlaxoSmithKline Finance plc. 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 income statement. The functional and presentation currency of the Company is Pounds Sterling.

(d) Turnover

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

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

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

Royalty income

The Company enters into development and marketing collaborations and out-licenses of the Company's compounds or products to other Group entities. 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.

Co-promotional income

The Company enters into co-promotional contracts and promotes products on behalf of other parties. These contracts give rise to variable consideration based on sales which is not recognised until the relevant product sale occurs. Co-promotional income is presented in turnover.

Glaxo Group Limited
(Registered number: 00305979)

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

2 Summary of significant accounting policies (continued)

(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 income statement 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. Property, plant and equipment used for research and development are capitalised and depreciated in accordance with the Company's policy.

(g) Royalty expenses

The Company enters into development and marketing collaborations and out-licenses its compounds or products to other parties. 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) Dividends received

Interim dividends received are included in the income statement in the year in which the right to receive the payment is established. Dividends in specie are recognised at their fair value at the date of receipt.

(i) Finance income and expense

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

(j) Property, plant and equipment

Property, plant and equipment is stated at the cost of purchase or construction less residual value and 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. The normal expected useful lives of the major categories of property, plant and equipment are:

Plant and equipment	3 to 20 years
---------------------	---------------

(k) Investment properties

Investment properties comprise significant portions of freehold/leasehold office buildings that are held for long-term rental yields and/or capital appreciation.

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

2 Summary of significant accounting policies (continued)

(k) Investment properties (continued)

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful lives of the shorter of the lease term or 50 years for buildings. Land is not depreciated. The residual values, useful lives and depreciation method of investment properties are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are included in the income statement.

(l) Intangible assets

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

Licences and patent rights separately acquired are amortised over their estimated useful lives, generally not exceeding 20 years, using the straight-line basis, from the time they are available for use. The estimated useful lives for determining the amortisation charge take into account patent lives, where applicable, as well as the value obtained from periods of non-exclusivity. Asset lives are reviewed, and where appropriate adjusted, annually. Contingent milestone payments are recognised at the point that the contingent event becomes probable. Any development costs incurred by the Company and associated with acquired licences and patents' rights, are written off to the income statement 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.

The costs of acquiring and developing computer software for internal use and internet sites for external use are capitalised as intangible fixed assets where the software or site supports a significant business system and the expenditure leads to the creation of a durable asset. ERP systems software is amortised over seven to ten years and other computer software over three to five years.

(m) 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.

(n) Other investments

Other investments comprise equity investments and investments in limited life funds. The Company has elected to designate equity investments as measured at FVTOCI. They are initially recorded at fair value plus transaction costs and then remeasured at subsequent reporting dates to fair value. Unrealised gains and losses are recognised in other comprehensive income. On disposal of the equity investment, gains and losses that have been deferred in other comprehensive income are transferred directly to retained earnings. Investments in limited life funds are measured at FVTPL. They are initially recorded at fair value and then remeasured at subsequent reporting dates to fair value. Unrealised gains and losses are recognised in the income statement.

Dividends on equity investments and distributions from funds are recognised in the income statement when the Company's right to receive payment is established.

Purchases and sales of other investments are accounted for on the trade date.

Glaxo Group Limited
(Registered number: 00305979)

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

2 Summary of significant accounting policies (continued)

(o) Impairment of financial assets

Expected credit losses are recognised in the income statement on financial assets measured at amortised cost and at fair value through other comprehensive income apart from equity investments.

For financial assets other than trade receivables, a 12-month expected credit loss (ECL) allowance is recorded on initial recognition. If there is evidence of a significant increase in the credit risk of an asset, the allowance is increased to reflect the full lifetime ECL. If there is no realistic prospect of recovery, the asset is written off.

(p) Investment in subsidiaries

The majority of investments in subsidiaries are held at cost less accumulated impairment losses. However, certain foreign currency investments in subsidiaries denominated in foreign currency are designated as a hedged item in a fair value hedge of the exposure to changes in foreign currency rates under IFRS 9 Financial instruments.

The hedged items are re-measured for changes in foreign currency rates even if it would otherwise have been recognised using a historical rate under IAS 21 'The effects of changes in foreign exchange rates'. In these circumstances, the historical foreign currency cost of the foreign currency investment would be retranslated at the spot exchange rate at the date of the expiry of the derivative and the exchange difference arising on the retranslation will be recognised in income statement to offset the change in the fair value of the hedging instruments. These foreign currency investments in subsidiaries are held at retranslated cost less accumulated impairment.

(q) Investment in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Investments in associates are held at cost less accumulated impairment losses.

(r) Impairment of non-financial assets

The carrying values of all non-financial assets are reviewed for impairment, either on a stand-alone basis or as part of a larger cash generating unit, when there is an indication that the assets might be impaired. Additionally intangible assets with indefinite useful lives and intangible assets which are not yet available for use are tested for impairment annually. Any provision for impairment is charged to the income statement in the year concerned.

(s) 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.

Glaxo Group Limited
(Registered number: 00305979)

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

2 Summary of significant accounting policies (continued)

(s) Trade and other receivables (continued)

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 income statement.

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

(t) 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.

(u) Trade and other payables

Trade 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.

(v) 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.

(w) 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 an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Glaxo Group Limited
(Registered number: 00305979)

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

2 Summary of significant accounting policies (continued)

(x) Legal and other disputes

A 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, a 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 income statement as they are incurred.

(y) Derivative financial instruments and hedging

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

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

Derivatives designated as hedging instruments are classified on inception as cash flow hedges or fair value hedges.

Changes in the fair value of derivatives designated as cash flow hedges are recognised in other comprehensive income to the extent that the hedges are effective. Ineffective portions are recognised in profit or loss immediately. Amounts deferred in other comprehensive income are reclassified to the income statement when the hedged item affects profit or loss.

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.

(z) Divestment expenses

Where appropriate, product divestment expenses are recognised and provided for in respect of the difference between profits paid to a counterparty on divested products based on signed contractual agreements and the profits on divested products received from other Group entities which are distributed to the Company.

(aa) Share capital

Ordinary shares are classified as equity.

3 Critical accounting judgements and key sources of estimation uncertainty

In preparing the financial statements, the Directors are required to make estimates and assumptions that affect the amounts of assets, liabilities, revenue and expenses reported in the financial statements. Actual amounts and results could differ from those estimates.

Glaxo Group Limited
(Registered number: 00305979)

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

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

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

Valuation of equity investments

Management have calculated the fair value of the investments based on the fair value of the underlying company. The fair value movements of equity investments are accounted through other comprehensive income.

The key source of estimation uncertainty relates to the valuation of the Company's unlisted equity investments. Many of the companies within the investment portfolio are early stage investments and privately owned. Accordingly, a market value can be difficult to determine. The accounting policy for the valuation of investments is described in note 2(n).

4 Turnover

Analysis of turnover by geography:	2019	2018
	£'000	£'000
UK	5,158	6,495
Rest of World	7,416	10,984
	12,574	17,479
<hr/>		
Analysis of turnover by category:	2019	2018
	£'000	£'000
Co-promotional income	6,600	8,238
Royalty income	1,185	3,065
Return on intellectual property rights	-	599
Other	4,789	5,577
Total	12,574	17,479

The analysis by location of customer of sales to other undertakings within the Group, operating profit and net assets are disclosed in the Group financial statements.

5 Operating profit

	2019	2018
	£'000	£'000
The following items have been charged/(credited) in operating profit:		
Depreciation of property, plant and equipment (note 11)	145	173
Income from subsidiaries, associates and equity investments (note 7)	(360,390)	(245,032)
Amortisation of intangible assets (note 12)	5,191	1,302
Depreciation of investment properties (note 16)	204	203
Exchange loss/(gain) on foreign currency transactions	4,739	(2,447)
Exchange (gain) on derivative financial instruments	(9,945)	-
Exchange loss on revaluation of investment in subsidiaries (note 13)	9,945	-
Research and development expenditure	4,833	4,912
Management fee	69	69
Loss on disposal of investment properties	-	588
Gain on disposal of investments	(16,252)	-
Impairment of investments in subsidiaries (note 13)	38,300	54,000

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 £36,100 (2018: £36,100).

Glaxo Group Limited
(Registered number: 00305979)

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

6 Employees

All UK employees are remunerated by GlaxoSmithKline Services Unlimited and receive no remuneration from the Company. A management fee is charged by GlaxoSmithKline Services Unlimited for services provided to the Company (see note 5). The Company has no employees (2018: none).

7 Income from subsidiaries, associates and equity investments

	2019 £'000	2018 £'000
Dividends from subsidiaries	352,452	216,583
Dividends from associates	7,360	28,035
Dividends from equity investments	578	414
	360,390	245,032

Dividends from subsidiaries for the year of £352 million relates to dividends received from GlaxoSmithKline K.K. of £288 million, GlaxoSmithKline Korea Limited of £22 million, GlaxoSmithKline Pharmaceuticals Limited of £14 million, GlaxoSmithKline Philippines Inc of £14 million, GlaxoSmithKline Pharmaceuticals S.A of £12 million and SmithKline Beecham Research Limited Philippines of £1 million.

Dividends from subsidiaries for the year 2018 of £217 million relates to dividends received from GlaxoSmithKline Pharmaceuticals SA (Poland) of £205 million and GlaxoSmithKline Pharmaceuticals Limited of £12 million.

Dividends from associates for the year of £7 million relates to intercompany dividend received from Medicxi Ventures (2018: Dividends of £28 million relates to dividends received from Medicxi Ventures of £27 million and Innoviva of £0.7 million). The Company also received £0.6 million (2018: £0.4 million) of dividend from equity investments.

8 Finance income

	2019 £'000	2018 £'000
Bank interest income	2,181	69
On loans with Group undertakings	5,708	4,128
Swap interest income	6,174	41
Gains on derivative financial instruments	51	445
Total finance income	14,114	4,683

9 Finance expense

	2019 £'000	2018 £'000
Bank interest expense	2	2
On loans with Group undertakings	667	49
Swap interest expense	-	259
Losses on derivative financial instruments	437	51
Total finance expense	1,106	361

Glaxo Group Limited
(Registered number: 00305979)

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

10 Taxation

	2019	2018
	£'000	£'000
Income tax credit on profit		
Current tax		
UK corporation tax	3,358	16,639
Overseas tax	3,210	180
Double tax relief	(61)	-
Adjustments in respect of previous years	(28,922)	(16,503)
Total current tax	(22,415)	316
Deferred tax		
Origination and reversal of timing differences	251	(331)
Total deferred tax	251	(331)
Total tax credit for the year	(22,164)	(15)

The tax assessed for the year is lower (2018: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2019 of 19.00% (2018: 19.00%). The differences are explained below:

	2019	2018
	£'000	£'000
Reconciliation of total tax credit		
Profit before taxation	300,298	130,413
Tax on ordinary activities at the UK statutory rate 19.00% (2018: 19.00%)	57,056	24,778
Effects of:		
Adjustments to tax charge in respect of previous years	(28,922)	(16,503)
Income not taxable	(73,288)	(54,570)
Change in tax rate - impact on deferred tax	116	40
Expenses not deductible for tax purposes	19,726	29,317
Overseas tax	3,210	180
Double tax relief	(61)	-
Other differences	-	16,743
Total tax credit for the year	(22,164)	(15)

Factors that may affect future tax charges:

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset as at 31 December 2019 has been calculated based on this rate. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. This will increase the company's future current tax charge accordingly and increase the deferred tax asset by £535,351.

	2019	2018
	£'000	£'000
Tax charge included in other comprehensive income		
Deferred tax:		
Fair value movements on financial assets at fair value through other comprehensive income	-	27

Glaxo Group Limited
(Registered number: 00305979)

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

10 Taxation (continued)

Movement in deferred tax asset	Accelerated capital allowances £'000	Other net temporary differences £'000	Total £'000
At 1 January 2018	1,076	3,421	4,497
Credit/(charge) to income statement	606	(275)	331
(Charge)/credit to other comprehensive income	-	(27)	(27)
At 31 December 2018	1,682	3,119	4,801
Credit/(charge) to income statement	24	(275)	(251)
At 31 December 2019	1,706	2,844	4,550

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

	2019 £'000	2018 £'000
Deferred tax assets classified as non-current assets	4,550	4,801

11 Property, plant and equipment

	Plant and equipment £'000	Assets in construction £'000	Total £'000
Cost			
At 1 January and 31 December 2019	2,036	19	2,055
Accumulated depreciation			
At 1 January 2019	(649)	-	(649)
Charge for the year (note 5)	(145)	-	(145)
At 31 December 2019	(794)	-	(794)
Accumulated impairment			
At 1 January 2019	-	(19)	(19)
Charge for the year	-	-	-
At 31 December 2019	-	(19)	(19)
Total depreciation and impairment at 31 December 2019	(794)	(19)	(813)
Net book value at 31 December 2018	1,387	-	1,387
Net book value at 31 December 2019	1,242	-	1,242

Glaxo Group Limited
(Registered number: 00305979)

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

12 Intangible assets

	Total £'000
Cost	
At 1 January 2019 and 31 December 2019	20,644
Accumulated amortisation	
At 1 January 2019	(6,466)
Charge for the year (note 5)	(5,191)
At 31 December 2019	(11,657)
Net book value at 31 December 2018	14,178
Net book value at 31 December 2019	<u>8,987</u>

13 Investments in subsidiaries

	Total £'000
Cost	
At 1 January 2018	10,056,476
Additions	21,165
Disposal	-
At 31 December 2018	10,077,641
Additions	53,273
Disposal	(1,430)
Exchange revaluation for the year (note 5)	(9,945)
At 31 December 2019	10,119,539
Accumulated impairment	
At 1 January 2018	(361,874)
Impairment charge for the year	(54,000)
Disposals	-
At 31 December 2018	(415,874)
Impairment charge for the year	(38,300)
At 31 December 2019	(454,174)
Carrying value at 1 January 2018	9,694,602
Carrying value at 31 December 2018	9,661,767
Carrying value at 31 December 2019	<u>9,665,365</u>

During 2019 the Company subscribed for additional share capital in GlaxoSmithKline Argentina S.A. amounting to £7 million and in Sitari Pharma Inc. amounting to £46 million. The Company disposed of its investment in GlaxoSmithKline Argentina S.A., where the carrying value of £1.4 million compared to sale proceeds of £17.7 million resulted in a gain on disposal of £16.3 million.

Details of the subsidiaries of the Company as at 31 December 2019 are given in note 28.

Glaxo Group Limited
(Registered number: 00305979)

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

14 Investments in associates

	Total £'000
Cost	
At 1 January 2018	308,189
Additions	8,688
At 31 December 2018	316,877
Additions	10,122
At 31 December 2019	326,999

Additions to investments in associates comprise Kurma Bio Fund of £1.2 million (2018: £2.5 million), Medicxi Ventures of £3.1 million (2018: £2.5 million), Apollo Associate of £4 million (2018: £1.9 million) and Index Ventures Life VI (Jersey) LP of £1.8 million (2018: £1.6 million).

Details of the associates of the Company as at 31 December 2019 are given in note 28.

15 Equity investments

	Total £'000
Carrying value at 1 January 2018	361,406
Additions	297,392
Disposals	(66,090)
Fair value movements	134,189
Foreign exchange movements	(17,680)
Carrying value at 31 December 2018	709,217
Additions	188,537
Fair value movements	(18,950)
Foreign exchange movements	(31,596)
Carrying value at 31 December 2019	847,208

Additions to equity investments comprise of investments in Lyell Immunopharma, Inc. of £165 million, Fulcrum Therapeutics Inc. of £19 million, SpringWorks Therapeutics Inc. of £2 million and other investments of £3 million.

Equity investments include an investment in Dementia Discovery Fund of £3 million (2018: £2 million) which is periodically revalued through the income statement. All other equity investments are revalued through statement of other comprehensive income.

Glaxo Group Limited
(Registered number: 00305979)

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

16 Investment properties

	Land and buildings £'000	Assets in construction £'000	Total £'000
Cost			
At 1 January 2019	9,611	-	9,611
Additions	-	16	16
At 31 December 2019	9,611	16	9,627
Accumulated depreciation			
At 1 January 2019	(3,149)	-	(3,149)
Charge for the year	(204)	-	(204)
At 31 December 2019	(3,353)	-	(3,353)
Net book value at 31 December 2018	6,462	-	6,462
Net book value at 31 December 2019	6,258	16	6,274

17 Trade and other receivables

	2019 £'000	2018 £'000
Amounts due within one year		
Amounts owed by Group undertakings	1,174,277	899,557
Other receivables	70,783	70,078
	1,245,060	969,635
Amounts due after more than one year		
Other receivables	11,536	-

Amounts owed by Group undertakings are unsecured, interest free and are repayable on demand, except for a call account balance with GlaxoSmithKline Finance plc due within one year of £1,084 million (2018: £716 million) which is unsecured with interest received at LIBOR rate less 0.125% (2018: LIBOR rate less 0.125%) per annum and repayable on demand.

18 Derivative financial instruments

The Company had a forward foreign exchange contract and a currency swap with the following fair values at the end of the year:

	2019		2018	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Forward foreign exchange contract	-	(837)	-	-
Forward currency swap contract- Euro	3,305	-	-	(51)
	3,305	(837)	-	(51)

Trading derivatives are classified as a current asset or liability. The full fair value of a hedging derivative is classified as a current asset or liability, if the maturity of the hedged item is less than 12 months.

Glaxo Group Limited
(Registered number: 00305979)

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

18 Derivative financial instruments (continued)

Forward foreign exchange contracts

The notional principal amounts of the outstanding derivative instruments at 31 December 2019 were £606 million (2018: £30 million).

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.

19 Trade and other payables

	2019	2018
	£'000	£'000
Amounts falling due within one year		
Trade payables	10,371	9,523
Amounts owed to Group undertakings	223,107	51,280
Other payables	24,566	24,568
	258,044	85,371

The amounts owed to Group undertakings are unsecured, interest free and repayable on demand except for a call account balance with GlaxoSmithKline IHC Limited of £140 million (2018: £nil) which is unsecured with interest paid at LIBOR rate plus 0.25% per annum (2018: LIBOR rate plus 0.25% per annum) and repayable on demand.

In the current financial year, corporation tax liability has been presented separately on the balance sheet which has resulted in the change of the comparatives on the balance sheet.

20 Accruals and deferred income

	2019	2018
	£'000	£'000
Amounts falling due within one year	26,576	10,864
Amounts falling due after more than one year	14,427	16,045
	41,003	26,909

Accrual and deferred income falling due within one year includes £23 million (2018: £7 million) in relation to collaborative agreements and £4 million (2018: £4 million) in relation to trademarks and other non-litigation expenses.

Accruals and deferred income falling due after more than one year comprises deferred income of £14 million (2018: £16 million) in relation to collaborative agreements which are being recognised until 2029.

Glaxo Group Limited
(Registered number: 00305979)

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

21 Provisions for liabilities

	Product liability
	£'000
At 1 January 2018	115
Charge for the year	10
Utilised	(48)
Exchange loss	5
At 31 December 2018	82
Charge for the year	44
Utilised	(29)
Exchange gain	(3)
At 31 December 2019	94

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

The Company's position could change over time, and there can, therefore, be no assurance that any losses that result from the outcome of any legal proceedings will not exceed the amount of the provisions reported in the Company's financial statements by a material amount. The largest individual amounts provided for are expected to be settled within three years.

For further detail concerning legal proceedings, refer to note 31 of the GlaxoSmithKline plc 2019 annual report.

22 Contingent consideration liability

	2019	2018
	£'000	£'000
Amounts falling due after more than one year	3,650	-

The amount represents contingent consideration liability (CCL) payable under the merger agreement with Avalon. It represents the contingent consideration expected to be paid and is contingent on the asset purchased (STRO1121) achieving development milestones (PoC milestone and regulatory approval milestone). The Company recognises a liability in respect of this contingent consideration which is reported at fair value and re-measured at each reporting date to reflect any changes in expectation of the timing or amount of consideration to be paid. The contingent consideration is valued using Level 3 valuation techniques in accordance with the requirements of IFRS 13 'Fair Value Measurements'.

23 Share capital

	2019	2018	2019	2018
	Number of	Number of	£'000	£'000
	shares	shares		
Issued and fully paid				
Ordinary Shares of 50p each				
(2018: 50p each)	1,617,988,119	1,617,988,119	808,994	808,994

Glaxo Group Limited
(Registered number: 00305979)

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

24 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 2019 is limited to the amount held on its accounts with the bank. No loss is expected to accrue to the Company from the agreement.

25 Events after the end of the reporting period

The Directors have considered the impact on the Company of the COVID-19 pandemic, which is a non-adjusting post balance sheet event. The Directors do not consider that there have been any material adverse changes to the carrying values of the Company's assets nor material adjustments to liabilities subsequent to the year-end which require disclosure in these financial statements.

26 Directors' remuneration

During the year, the Directors of the Company, with the exception of the Corporate Directors, were remunerated as executives of the Group and received no remuneration in respect of their services to the Company (2018: £nil). Corporate Directors received no remuneration during the year, either as executives of the Group or in respect of their services to the Company (2018: £nil).

27 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.

Glaxo Group Limited
(Registered number: 00305979)

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

28 Subsidiaries and associates

The subsidiaries and associates of the Company as at 31 December 2019 are as follows:

Subsidiaries	Direct shares held (%)	Indirect shares held (%)	Security	Address of the registered office
Action Potential Venture Capital Limited	100	-	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England Corporation Service Company, 2710 Gateway Oaks Drive, Suite 150N, Sacramento, California, CA, 95833, United States
Affymax Research Institute	100	-	Common	Rua Dr Antonio Loureiro Borges No 3, Arquiparque, Miraflores, Alges, 1495-131, Portugal
Alenfarma - Especialidades Farmaceuticas, Limitada	-	100	Ordinary Quota	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Allen & Hanburys Limited	-	100	Ordinary	El Salam City 11491, PO Box 3001, Cairo, Egypt
Amoun Pharmaceutical Industries Co. S.A.E.	-	90.7	New Monetary Shares	Meyerhofstrasse 1, Heidelberg, 69117, Germany
Cellzome GmbH	-	91.86	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
Cellzome Limited	-	91.86	Ordinary	
Cellzome Therapeutics, Inc.	-	91.86	Ordinary	
Cellzome, Inc.	91.86	3.25	Ordinary (91.8626%); Series A Preferred (100%); Series B Preferred (100%); Series C-1 Convertible Preferred (100%); Series C-3 Convertible Preferred (100%)	980 Great West Road, Brentford, Middlesex, TW8 9GS, England Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
Clarges Pharmaceuticals Limited	100	-	Ordinary(100%); Preference (99.9664%)	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Domantis Limited	100	-	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Duncan Pharmaceuticals Philippines Inc.	-	75.71	Common	23rd Floor, The Finance Centre, 26th Street Corner 9th Avenue, Bonifacio Global City, Taguig City
Edinburgh Pharmaceutical Industries Limited	100	-	Ordinary; Preference	Shewalton Road, Irvine, Ayrshire, KA11 5AP, Scotland

Glaxo Group Limited
(Registered number: 00305979)

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

28 Subsidiaries and associates (continued)

Subsidiaries	Direct shares		Security	Address of the registered office
	held (%)	Indirect shares held (%)		
Etex Farmacéutica Limitada	98.23	1.77	Social Capital	Avenida Andres Bello 2687, Piso 19, Las Condes, Santiago, C.P. 7550611, Chile
Glaxo Kabushiki Kaisha	100	-	Ordinary	1-8-1 Asasaka Minato-ku, Tokyo, Japan
Glaxo Laboratories Limited	-	100	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Glaxo Operations UK Limited	100	-	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Glaxo Wellcome Farmaceutica, Limitada	100	-	Ordinary Quota	Rua Dr Antonio Loureiro Borges No 3, Arquiparque, Miraflores, Alges, 1495-131, Portugal
Glaxo Wellcome UK Limited	100	-	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Glaxochem Pte Ltd	51	-	Ordinary	23 Rochester Park, 139234, Singapore
GlaxoSmithKline Argentina S.A.	84.2	-	Ordinary	Tucumán 1, piso 4, Buenos Aires, C1049AAA, Argentina
GlaxoSmithKline Consumer Healthcare Investments (Ireland) Limited	100	-	Ordinary	Knockbrack, Dungarvan, Co Waterford, X35 RY76, Ireland
GlaxoSmithKline Export Limited	100	-	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Intellectual Property (No.2) Limited	-	100	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Intellectual Property (No.3) Limited	100	-	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Intellectual Property (No.4) Limited	100	-	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Intellectual Property (No.5) Limited	100	-	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Intellectual Property Development Limited	-	100	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Intellectual Property Holdings Limited	100	-	A Ordinary (0%); B Ordinary (100%)	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Intellectual Property Limited	100	-	Ordinary; Deferred	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Intellectual Property Management Limited	-	100	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline K.K.	64.96	35.04	Ordinary	1-8-1 Asasaka Minato-ku, Tokyo, Japan
GlaxoSmithKline Korea Limited	95.05	-	Ordinary	9F LS Yongsan Tower 92, Hangangdae-ro Yongsan-gu, Seoul, 04386, Republic of Korea
GSK Limited	100	-	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England

Glaxo Group Limited
(Registered number: 00306979)

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

28 Subsidiaries and associates (continued)

Subsidiaries	Direct shares held (%)		Indirect shares held (%)	Security	Address of the registered office
	held (%)	held (%)			
GlaxoSmithKline Pharmaceuticals Sdn Bhd	100	-	-	Ordinary A (100%); Ordinary B (100%); Ordinary C (100%); Ordinary D (100%)	Level 6, Quill 9, 112 Jalan Prof. Khee Kay Kim, Petaling Jaya, Selangor, 46300, Malaysia
GlaxoSmithKline Pharmaceuticals S.A.	100	-	-	Ordinary A (100%); Ordinary B (100%); Ordinary C (100%); Ordinary D (100%)	Ul. Gunwaldzka 189, Poznan, 60-322, Poland
GlaxoSmithKline Philippines Inc.	75.71	-	-	Common	23rd Floor, The Finance Centre, 26th Street Corner 9th Avenue, Bonifacio Global City, Taguig City, 1634, Philippines
GlaxoSmithKline Research & Development Limited	100	-	-	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England Boomerang Office Building - Land No. 46, Zone (J) - 1st District, Town Center - 5th Tagamnoe, New Cairo City, Fushing Meadows Building, The Campus, 57 Sloane Street, Bryanston 2021, South Africa
GlaxoSmithKline S.A.E.	91.2	-	-	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England 980 Great West Road, Brentford, Middlesex, TW8 9GS, England Fushing Meadows Building, The Campus, 57 Sloane Street, Bryanston 2021, South Africa
GlaxoSmithKline South Africa (Pty) Limited	100	-	-	Ordinary	Level 6, Quill 9, 112 Jalan Prof. Khee Kay Kim, Petaling Jaya, Selangor, 46300, Malaysia
GlaxoSmithKline UK Limited	100	-	-	Ordinary	1-8-1 Asasaka Minato-ku, Tokyo, Japan
GlaxoSmithKline US Trading Limited	100	-	-	Ordinary	Tucumán 1, piso 4, Buenos Aires, C1049AAK, Argentina
Group Laboratories South Africa (Pty) Limited	-	100	-	Ordinary	ul. Rzymowskiego 53, Warszawa, 02-697, Poland
GSK Business Service Centre Sdn Bhd	100	-	-	Ordinary	Ul. Gunwaldzka 189, Poznan, 60-322, Poland
GSK Capital K.K.	-	100	-	Ordinary	23 rue François Jacob, 92500, Rueil-Malmaison, France
GSK Biopharma Argentina S.A.	84.2	-	-	Nominative non-endorseable ordinary shares	23 rue François Jacob, 92500, Rueil-Malmaison, France
GSK Commercial Sp. z o.o.	-	100	-	Ordinary	23 rue François Jacob, 92500, Rueil-Malmaison, France
GSK Services Sp z o.o.	-	100	-	Ordinary	23 rue François Jacob, 92500, Rueil-Malmaison, France
Laboratoires Paucourt	99	1	1	Ordinary	23 rue François Jacob, 92500, Rueil-Malmaison, France
Laboratoires Saint-Germain	99	1	1	Ordinary	23 rue François Jacob, 92500, Rueil-Malmaison, France

Glaxo Group Limited
(Registered number: 00305979)

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

28 Subsidiaries and associates (continued)

Subsidiaries	Direct shares held (%)	Indirect shares held (%)	Security	Address of the registered office
Laboratorios Wellcome De Portugal Limitada	-	100	Ordinary Quota	Rua Dr Antonio Loureiro Borges No 3, Arquiparque, Miraflores, Alges, 1495-131, Portugal
Mixis Genetics Limited	100	-	Ordinary; Ordinary Euro	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Modern Pharma Trading Company L.L.C.	-	22.94	Quotas	Amoun Street, PO Box 3001, El Salam City, Cairo, 11491, Egypt
Montrose Fine Chemical Company Ltd	100	-	Ordinary	Shewalton Road, Irvine, Ayrshire, KA11 5AP, Scotland
Montrose Pharma Company Limited	-	100	Ordinary Quota	H-1124, Csorsz utca 43, Budapest, Hungary
Sitari Pharma, Inc.	100	-	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808
SPI Acquisition Merger Sub, Inc.	100	-	Common Stock	USA
UCB Pharma Asia Pacific Sdn Bhd	-	100	Ordinary	12th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, Petaling Jaya, 46200, Malaysia
Associates				
Apollo Therapeutics LLP	25	-	Limited Partnership	
GlaxoSmithKline Chile Farmaceutica Limitada	21.77	-	Social Capital	Avenida Andres Bello No. 2687, Piso 19, Las Condes, Santiago, C.P. 7550611, Chile
GlaxoSmithKline Pharmaceuticals Limited	35.99	-	Equity	252 Dr Annie Besant Road, Mumbai, 400030, India
Glaxo Wellcome Ceylon Limited	0.00	-	Ordinary	
Index Ventures Life VI (Jersey) LP	24.94	-	Limited Partnership	
Innoviva, Inc. (formerly Theravance, Inc.)	31.43	-	Common Stock	
Kurma Biofund II, FCPR	32.06	-	Limited Partnership	
Medicxi Ventures I LP	26.19	-	Limited Partnership	

The Company had no transactions with any of its associates in the year (2018: nil).

Signature: