GlaxoSmithKline Research & Development Limited
(Registered number: 00835139)

Annual Report

for the year ended 31 December 2019

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

GlaxoSmithKline Research & Development Limited
(Registered number: 00835139)

Annual Report

for the year ended 31 December 2019

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GlaxoSmithKline Research & Development Limited
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Strategic report for the year ended 31 December 2019

The Directors present their Strategic report on GlaxoSmithKline Research & Development 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 providing research and development services to other companies in the Group. Its people are committed to fighting disease by bringing innovative medicines and services to patients throughout the world and to healthcare providers who serve them. Within this overall aim, the research responsibility is to identify lead compounds, with new or enhanced biological properties. Leads emerging from our research programmes, which satisfy strict criteria including unmet medical need, scientific rationale, commercial potential, strategic fit and development feasibility, will become development projects. The activities aim to develop these new compounds into products for sale, which add value over existing therapies. These programmes are conducted internationally in order to optimise the resources available and to enable marketing approval to be obtained in as many markets as possible, with the minimum of delay. The Directors do not envisage any change to the nature of the business in the foreseeable future. The Group R&D Science, Technology and Culture strategy which was set out in 2018 centers on two main themes 1) discovering and developing immune-modulatory medicines and 2) using human genetics, functional genomics (F&G) and Artificial Intelligence/Machine Learning to find novel targets. This strategy was based around the fundamental premise that immunology would continue to be a key driver of pharma growth, that human genetics/F&G and AI/ML would play an increasingly important role in target discovery, and that GSK was well-positioned to succeed as a leading player in both of these fields. This has resulted in the R&D structure being organisationally aligned to the directorates of Research, Development, Medicinal Sciences & Technology, Oncology, Vaccines and Global Health.

The Group world-wide research and development activities are focused on the following areas: Respiratory, Anti-virals, Central nervous system, Cardiovascular and Urogenital, Metabolic, Anti-bacterials and Emesis, Vaccines, Dermatology, Oncology and Rare diseases. Success in these areas will enable the Group to strengthen its current franchises and break into new ones.

Review of business

The Directors report that revenue received from other companies in the Group for the provision of research and development and other services amounted to £1,102,779,000 for the year ended 31 December 2019 (2018: £1,049,914,000). Total research and development expenditure for the year ended 31 December 2019 amounted to £1,016,125,000 (2018: £960,527,000). The profit for the financial year was £72,133,000 (2018: profit of £73,123,000). 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 financial year of £72,133,000 will be transferred to reserves (2018: profit of £73,123,000 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.

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

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.

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 research and development activities remains uncertain. Up to the date of this report, the outbreak has not had a material impact on the trading results of the Company. However, we continue to monitor the situation closely, including the potential impacts on trading results, our supply continuity and our employees. The situation could change at any time and there can be no assurance that the coronavirus outbreak 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.

GlaxoSmithKline Research & Development Limited
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Strategic report for the year ended 31 December 2019 (continued)

Section 172 Companies Act 2006 statement (continued)

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

J Andries
Director
29 July 2020

GlaxoSmithKline Research & Development Limited
(Registered number: 00835139)

Directors' report for the year ended 31 December 2019

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

Results and dividends

The Company's results for the financial year are shown in the income statement and statement of comprehensive income on pages 11 and 12.

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

Glaxo Group Limited
Edinburgh Pharmaceutical Industries Limited
D Allen
J Andries

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 virtue of his or her engagement in the business of the Company.

Employees

An extensive programme of open, two-way communications stimulates employee engagement in the Group's strategy and day-to-day operations. This includes the publication of regular summary reports from the Corporate Executive Team meetings, a Chief Executive Officer's home page featuring presentations and a Q&A area, a group-wide magazine, town hall meetings and video conferences. Live video streaming and video on demand options have been developed as additional means of ensuring employees have access to the most senior levels of management, and as powerful tools for building culture and driving alignment across common goals. The programme also involves consultation with employees on a regular basis so that the views of employees can be taken into account in making decisions that are likely to affect their interests and achieving a common awareness of all employees in the financial and economic factors that affect the Company's performance.

Share ownership schemes encourage participation as shareholders in GlaxoSmithKline plc, the ultimate parent company of the Group, increasing awareness of short and long term business objectives. Global and local employee opinion surveys allow employees the opportunity to express their views and perspectives on important company issues.

Employees (continued)

The Company is committed to employment policies free from discrimination against potential or existing staff on the grounds of age, race, ethnic and national origin, gender, sexual orientation, faith or disability.

In particular the Company is committed to offering people with disabilities access to the full range of recruitment and career opportunities. Every effort is made to retain and support staff who become disabled while working for the Group.

Statement of Directors' responsibilities

The Directors are responsible for preparing the annual report in accordance with applicable law and regulations.

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

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

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

The following items have been included in the strategic report on pages 1, 2 and 3:
- 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.
(e) Having regard to and fostering good stakeholder relationships.

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.

Employee Engagement

Employees of the Company are informed of information on matters of concern to them as employees through the employee intranet and local sites, social media channels, town halls, site visits and webinars including topics such as quarterly results, strategy, business updates and diversity.

There are a number of employee share plans in place at Group level. The Group operates ShareSave and ShareReward plans. The Group also operates group-wide discretionary share plans, which allow employee participation at different levels globally and is linked to the Group's performance.

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

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 to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.
This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Going concern

Having assessed the principal risks and other matters, including the potential impact of the COVID-19 pandemic, the Directors are of the opinion that the current level of activity remains sustainable. In relation to the challenges that arise from the COVID-19 pandemic, the considerations have included operational risks to research and development including the availability of research facilities materials, the ability to execute clinical trials and potential delays to existing clinical trials and planned approvals. The Directors have taken into account that as part of the 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.

Independent auditor

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

On behalf of the Board

J Andries
Director
29 July 2020

Independent auditor's report to the members of GlaxoSmithKline Research & Development Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of GlaxoSmithKline Research & Development 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 comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 26.

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.

Independent auditor's report to the members of GlaxoSmithKline Research & Development Limited (continued)

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 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 and directors' report.

Independent auditor's report to the members of GlaxoSmithKline Research & Development Limited (continued)

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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

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

Deloitte LLP

Deloitte LLP
Statutory Auditor
London, United Kingdom
30 July 2020

GlaxoSmithKline Research & Development Limited
(Registered number: 00835139)

Income statement
for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Turnover	4	**1,102,779**	1,049,914
Research and development expenditure		**(1,016,125)**	(960,527)
Operating profit	5	**86,654**	89,387
Profit before interest and taxation		**86,654**	89,387
Finance income	7	**3,900**	2,773
Finance expense	8	**(93)**	-
Finance income - net		**3,807**	2,773
Profit before taxation		**90,461**	92,160
Taxation	9	**(18,328)**	(19,037)
Profit for the year		**72,133**	73,123

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

GlaxoSmithKline Research & Development Limited
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Statement of comprehensive income
for the year ended 31 December 2019

	2019 £'000	2018 £'000
Profit for the year	**72,133**	73,123
Items that may not be subsequently reclassified to the income statement:		
Fair value movements on financial assets at fair value through other comprehensive income	**(6)**	14
Other comprehensive (loss)/income for the year	**(6)**	14
Total comprehensive income for the year	**72,127**	73,137

GlaxoSmithKline Research & Development Limited
(Registered number: 00835139)

Balance sheet
as at 31 December 2019

	Notes	2019 £'000	2018 £'000
Non-current assets			
Property, plant and equipment	10	**544,635**	550,055
Right of use assets	11	**4,611**	-
Intangible assets	12	**91,322**	88,496
Equity investments	13	**194**	200
Prepayments and accrued income	15	**21,443**	23,365
Total non-current assets		**662,205**	662,116
Current assets			
Trade and other receivables	14	**1,277,886**	1,161,677
Prepayments and accrued income	15	**46,702**	36,403
Cash and cash equivalents		**-**	2
Total current assets		**1,324,588**	1,198,082
Total assets		**1,986,793**	1,860,198
Current liabilities			
Trade and other payables	16	**(446,595)**	(416,328)
Corporation tax		**(19,464)**	(18,809)
Short-term borrowings	17	**(544)**	-
Accruals and deferred income	18	**(90,622)**	(77,443)
Other provisions	19	**(31,572)**	(22,657)
Total current liabilities		**(588,797)**	(535,237)
Net current assets		**735,791**	662,845
Total assets less current liabilities		**1,397,996**	1,324,961
Non-current liabilities			
Long-term borrowings	17	**(4,102)**	-
Deferred tax liabilities	9	**(96,256)**	(98,445)
Accruals and deferred income	18	**(1,856)**	(1,949)
Other provisions	19	**(5,260)**	(6,172)
Total non-current liabilities		**(107,474)**	(106,566)
Total liabilities		**(696,271)**	(641,803)
Net assets		**1,290,522**	1,218,395
Equity			
Share capital	20	**600,000**	600,000
Other reserves	21	**139**	145
Retained earnings		**690,383**	618,250
Shareholder's equity		**1,290,522**	1,218,395

The financial statements on pages 11 to 31 were approved by the Board of Directors on 29 July 2020 and signed on its behalf by:

J Andries
Director

GlaxoSmithKline Research & Development Limited
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Statement of changes in equity for the year ended 31 December 2019

	Share capital £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 January 2018	600,000	131	545,127	**1,145,258**
Profit for the year	-	-	73,123	**73,123**
Other comprehensive income for the year	-	14	-	**14**
At 31 December 2018	**600,000**	**145**	**618,250**	**1,218,395**
Profit for the year	**-**	**-**	**72,133**	**72,133**
Other comprehensive loss for the year	**-**	**(6)**	**-**	**(6)**
At 31 December 2019	**600,000**	**139**	**690,383**	**1,290,522**

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

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, England.

The principal activities of the Company are providing research and development services to other companies in the Group. Its people are committed to fighting disease by bringing innovative medicines and services to patients throughout the world and to healthcare providers who serve them. Within this overall aim, the research responsibility is to identify lead compounds, with new or enhanced biological properties. Leads emerging from our research programmes, which satisfy strict criteria including unmet medical need, scientific rationale, commercial potential, strategic fit and development feasibility, will become development projects. The activities aim to develop these new compounds into products for sale, which add value over existing therapies. These programmes are conducted internationally in order to optimise the resources available and to enable marketing approval to be obtained in as many markets as possible, with the minimum of delay.

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 equity investment designated as financial assets at fair value through other comprehensive income, and in accordance with the Companies Act 2006.

The financial statements are presented in Pounds Sterling.

Going concern

Having assessed the principal risks and other matters, including the potential impact of the COVID-19 pandemic, the Directors are of the opinion that the current level of activity remains sustainable. In relation to the challenges that arise from the COVID-19 pandemic, the considerations have included operational risks to research and development including the availability of research facilities materials, the ability to execute clinical trials and potential delays to existing clinical trials and planned approvals. The Directors have taken into account that as part of the 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);

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Disclosure exemptions adopted (continued)

- The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3, 'Business Combinations';
- The requirements of paragraph 33(c) of IFRS 5, 'Non-current Assets Held for Sale and Discontinued operations';
- IFRS 7, 'Financial instruments: disclosures';
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a),114, 115, 118,119(a) to (c), 120 to 127 and 129 of IFRS 15, 'Revenue from Contracts with Customers';
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  - (i) paragraph 79(a) (iv) of IAS 1;
  - (ii) paragraph 73(e) of IAS 16, 'Property, plant and equipment';
  - (iii) paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period);
  - (iv) paragraph 76 and 79(d) of IAS 40, 'Investment property'; and
  - (v) paragraph 50 of IAS 41, 'Agriculture'.
- The following paragraphs of IAS 1,'Presentation of financial statements':
  - 10(d) (statement of cash flows),
  - 10(f) (a balance sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or make a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
  - 16 (statement of compliance with all IFRS),
  - 38A (requirements for minimum of two primary statements, including cash flow statements),
  - 38B-D (additional comparative information),
  - 40A-D (requirements for a third balance sheet),
  - 111 (cash flow statement information), and
  - 134 - 136 (capital management disclosures).
- IAS 7, 'Statement of cash flows';
- The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16, 'Leases';
- The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total;
- Paragraph 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- Paragraph 17 and 18A of IAS 24, 'Related party disclosures' (key management compensation);
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more wholly owned members of a Group; and
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36, 'Impairment of Assets'.

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.

2 Summary of significant accounting policies (continued)

(b) Ultimate and immediate parent undertaking

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

(c) Implementation of IFRS 16 'Leases'

The Company has applied IFRS 16 'Leases' with effect from 1 January 2019. IFRS 16 introduces new requirements for the definition of a lease, lessee accounting and lessor accounting as well as a number of new disclosures. In general, all leases within the scope of IFRS 16 are required to be brought on to the balance sheet by lessees, recognising a 'right of use' asset and a related lease liability at the commencement of the lease. The subsequent accounting is similar to the finance lease model set out in IAS 17. IFRS 16 establishes a control model for the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer.

The Company has adopted IFRS 16 applying the modified retrospective approach, and accordingly prior year results have not been restated. For larger leases (leases with annual payments of £1 million or more), the right of use asset at 1 January 2019 was calculated based on the original lease inception date and for smaller leases (leases with annual payments of less than £1 million) the right of use asset was set equal to the lease liability at 1 January 2019, adjusted for any prepaid or accrued lease payments, onerous lease provisions and business combination fair value adjustments. Any difference between the previous carrying amount and the revised carrying amount at 1 January 2019 has been recognised as an adjustment to opening retained earnings at 1 January 2019. The Company has applied the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into either before the date of initial application or after. There have been no significant changes as a result for the vast majority of contracts.

The following permitted practical expedients were applied at transition:

- The right of use asset at the date of transition was adjusted by the amount of the existing onerous lease provision at 31 December 2018, without re-assessment.
- Leases ending within 12 months of the transition date were treated as short-term leases on a lease-by-lease basis.
- Initial direct costs were excluded from the measurement of the right of use asset at the transition date on a lease-by-lease basis.
- Hindsight was applied, such as in determining the lease term where contracts contained options to extend or terminate the lease.

The weighted average incremental borrowing rate applied to lease liabilities recognised on 1 January 2019 was 1.92%.

2 Summary of significant accounting policies (continued)

(d) 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.

(e) Turnover

The Company recognises turnover for supply of integrated research and development services for the overall development of pharmaceutical products owned by the other Group Companies. The services are provided for a combined output and are not separable. Therefore, the services form a single performance obligation.

Turnover is recognised over time as the services are provided and corresponding costs incurred. The services are usually paid and billed on a monthly basis and relevant turnover represents the recharge of research and development costs incurred in United Kingdom to other Group companies with an agreed mark-up, excluding value added tax and other sales taxes.

Additionally, the Company acts as an agent in relation to the collection and subsequent recharge of worldwide research and development costs from the worldwide research and development centres outside of the United Kingdom to the various worldwide intellectual property owners. The Company does not earn a fee or commission in return for provision of this service. Therefore, no turnover is recorded in the Company in respect of its activities as an agent.

(f) 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.

Restructuring costs are recognised and provided for, where appropriate, in respect of the direct expenditures of a business reorganisation where the plans are sufficiently detailed and well advanced, and where appropriate communication to those affected has been undertaken at the balance sheet date.

(g) 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.

(h) Finance income and expense

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

2 Summary of significant accounting policies (continued)

(i) 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:

Freehold buildings	20 to 50 years
Leasehold land and buildings	The shorter of lease term and 50 years
Plant, equipment and vehicles	3 to 20 years

On disposal of the property, plant and equipment, the cost and related accumulated depreciation and impairment are removed from the financial statements and the net amount, less any proceeds, is taken to the income statement.

(j) Asset retirement obligations

Asset retirement obligations are included within the cost of an asset on its initial purchase or construction if there is a legal obligation to incur the costs on retirement of the asset. The addition to the cost of the asset and the provision are measured by discounting the expected future cash outflows to present value. The asset cost arising from recognition of the asset retirement obligation is depreciated along with the rest of the asset over the expected useful life.

(k) Intangible assets

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

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.

(l) Financial assets

Financial assets are measured at amortised cost and fair value through other comprehensive income ('FVTOCI'). 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.

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.

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

2 Summary of significant accounting policies (continued)

(m) 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.

(n) 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 income statement in the year concerned.

Impairment losses on non-financial assets are only reversed if there has been a change in estimates used to determine recoverable amounts and only to the extent that the revised recoverable amounts do not exceed the carrying values that would have existed, net of depreciation or amortisation, had no impairments been recognised.

(o) Leases

The Company recognises right of use assets under lease arrangements in which it is the lessee. Rights to use assets owned by other parties under lease agreements are capitalised at the inception of the lease and recognised on the balance sheet. The corresponding liability to the lessor is recognised as a lease obligation within short and long-term borrowings. The carrying amount is subsequently increased to reflect interest on the lease liability and reduced by lease payments made. For calculating the discounted lease liability on leases (leases with annual payments of £2 million or more), the implicit rate in the lease is used. If this is not available, the incremental borrowing rate with a lease specific adjustment is used. If neither of these is available, and for leases with immaterial annual payments, the incremental borrowing rate is used. The incremental borrowing rate is calculated at the rate of interest at which the Group would have been able to borrow for a similar term and with a similar security the funds necessary to obtain a similar asset in a similar market.

Finance expenses are charged to the income statement so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Variable rents are not part of the lease liability and the right of use asset. These payments are charged to the income statement as incurred. Short-term and low value leases are not capitalised and lease rentals are also charged to the income statement as incurred.

Non-lease components are accounted for separately from the lease components in plant and equipment leases but are not separately accounted for in land and buildings or vehicle leases.

If modifications or reassessments occur, the lease liability and right of use asset are re-measured.

Right of use assets where title is expected to pass to the Company at a point in the future are depreciated on a basis consistent with similar owned assets. In other cases, right of use assets are depreciated over the shorter of the useful life of the asset or the lease term.

2 Summary of significant accounting policies (continued)

(p) Trade and other receivables

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

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

Subsequent recoveries of amounts previously provided for are credited to the income statement.

(q) 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. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

(r) 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.

(s) Taxation

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

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

(t) Provisions for liabilities

Provisions are recognised when the Company has a legal or constructive obligation as a result of a past event, it is probable that outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

(u) Share capital

Ordinary shares are classified as equity.

3 Critical accounting judgements and key sources of estimation uncertainty

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

The Directors do not consider that there are any critical accounting judgements 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. There have been no significant estimates or assumptions which are likely to cause a material adjustment to the carrying amount of assets and liabilities within the next financial year.

4 Turnover

Turnover represents service fees charged to Glaxo Group Limited and fellow subsidiary undertakings. The turnover attributable to Glaxo Group Limited, a Director of the Company, is £630,000 (2018: £1,213,000).

Analysis of turnover by geography:

	2019 **£'000**	2018 £'000
United Kingdom	**1,089,674**	1,032,077
United States of America	**10,683**	14,739
Ireland	**2,422**	3,098
	1,102,779	1,049,914

In the opinion of the Directors there is one class of business - the provision of Research and Development services.

The Company acts as an agent in relation to the collecting and subsequent recharge of worldwide research and development costs from the worldwide research and development centres to the various intellectual property owners. The Company does not earn a fee or commission in return for provision of this service. Therefore, no turnover is recorded by the Company in respect of its activities as an agent. In 2019, the Company's activities as an agent totalled £2,439,898,000 (2018: £2,292,491,000).

All other segmental information is included in the annual report of GlaxoSmithKline plc.

5 Operating profit

	2019 **£'000**	2018 £'000
The following items have been charged/(credited) in operating profit:		
Depreciation of property, plant and equipment:		
Owned assets	**55,844**	48,122
Amortisation of intangible assets	**26,854**	21,950
Impairment of property, plant and equipment	**1,803**	1,955
Impairment of intangible assets	**4,210**	7,191
Depreciation of right of use assets	**484**	-
Exchange (gains)/losses on foreign currency translation	**(1,593)**	1,651
Operating lease rentals:		
Land and buildings	**-**	1,400
Employment costs	**453,811**	415,967
Recharges relating to services provided by other Group companies	**192,226**	146,399
Share based payment charge	**268**	365
Management fee	**266**	266

5 Operating profit (continued)

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 £248,000 (2018: £248,000).

6 Employees

All personnel 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.

Employee costs	2019 £'000	2018 £'000
Wages and salaries	**274,022**	270,564
Severance pay	**55,182**	25,302
Social security costs	**34,973**	29,717
Pension costs - defined contribution plans	**56,602**	56,813
Share based payments	**33,032**	33,571
	453,811	415,967

The average monthly number of persons employed by the Company (including Directors)	2019 No.	2018 No.
Research and development	**3,317**	3,439

The average number of employees exclude temporary and contract staff.

GlaxoSmithKline Services Unlimited operates hybrid pension schemes for all of the Group's UK employees. These schemes include defined benefit arrangements where the assets are held independently of the Group's finances and which are funded partly by contributions from members and partly by contributions from GlaxoSmithKline Services Unlimited at rates advised by independent professionally qualified actuaries.

The management fee is charged by GlaxoSmithKline Services Unlimited for services provided to the Company which includes an element relating to:
- obligation to provide shares to the employees when they exercise their options or awards; and
- the pension arrangements for the Group's UK employees calculated as if the arrangements were on a defined contribution basis. However, the sponsoring employer does not recharge the net defined benefit cost to other entities within the Group. As such, the sponsoring employer accounts for the entire scheme as a defined benefit scheme in accordance with IAS 19 "Employee benefits".

Full details of the UK pension schemes and employee share schemes can be found in the annual report of GlaxoSmithKline Services Unlimited for the year ended 31 December 2019.

7 Finance income

	2019 £'000	2018 £'000
On loans with Group undertakings	**3,900**	2,773

8 Finance expense

	2019 £'000	2018 £'000
Interest expense arising on lease liabilities	**93**	-

9 Taxation

Income tax charge on profit	2019 £'000	2018 £'000
Current tax:		
UK corporation tax	**19,653**	21,567
Adjustments in respect of previous years	**864**	3,965
Total current tax	**20,517**	25,532
Deferred tax:		
Origination and reversal of timing differences	**(1,291)**	(2,344)
Adjustments in respect of previous years	**(898)**	(4,151)
Total deferred tax	**(2,189)**	(6,495)
Total tax charge for the year	**18,328**	19,037

The tax assessed for the year is higher (2018: higher) 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:

Reconciliation of total tax charge	2019 £'000	2018 £'000
Profit before tax	**90,461**	92,160
Tax at the UK standard rate 19.00% (2018: 19.00%)	**17,188**	17,510
Effects of:		
Research and development tax charge	**334**	524
Adjustments to tax charge in respect of previous years	**(35)**	(186)
Expenses not deductible for tax purposes	**689**	913
Remeasurement of deferred tax - change in UK tax rate	**152**	276
Total tax charge for the year	**18,328**	19,037

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 liability 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 liability by £11,324,277.

Movement in deferred tax assets and liabilities

	Accelerated capital allowances £'000	Other net temporary differences £'000	**Total £'000**
At 1 January 2018	109,072	(4,132)	**104,940**
Charge to income statement	(4,265)	(2,230)	**(6,495)**
At 1 January 2019	104,807	(6,362)	**98,445**
Charge to income statement	(1,222)	(967)	**(2,189)**
At 31 December 2019	**103,585**	**(7,329)**	**96,256**

9 Taxation (continued)

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

	2019 £'000	2018 £'000
Deferred tax liabilities classified as non-current liabilities	**96,256**	98,445

10 Property, plant and equipment

	Land and buildings £'000	Plant, equipment and vehicles £'000	Assets in construction £'000	**Total £'000**
Cost				
At 1 January 2019	469,582	1,282,096	17,696	**1,769,374**
Additions	-	1,665	53,365	**55,030**
Reclassifications (Note 11)	62	50,505	(50,622)	**(55)**
Disposals and write-offs	(7,814)	(59,139)	-	**(66,953)**
Intra-Group transfer	-	(41)	-	**(41)**
At 31 December 2019	**461,830**	**1,275,086**	**20,439**	**1,757,355**
Accumulated depreciation				
At 1 January 2019	(287,755)	(930,995)	-	**(1,218,750)**
Charge for the year	(6,107)	(49,737)	-	**(55,844)**
Reclassifications (Note 11)	-	(137)	-	**(137)**
Disposals and write-offs	6,223	57,447	-	**63,670**
Intra-Group transfer	-	4	-	**4**
At 31 December 2019	**(287,639)**	**(923,418)**	**-**	**(1,211,057)**
Accumulated Impairment				
At 1 January 2019	(216)	(353)	-	**(569)**
Impairment charge for the year	-	(1,803)	-	**(1,803)**
Disposals and write-offs	-	709	-	**709**
At 31 December 2019	**(216)**	**(1,447)**	**-**	**(1,663)**
Total depreciation and impairment at 31 December 2019	**(287,855)**	**(924,865)**	**-**	**(1,212,720)**
Net book value at 31 December 2018	**181,611**	**350,748**	**17,696**	**550,055**
Net book value at 31 December 2019	**173,975**	**350,221**	**20,439**	**544,635**

The net book value at 31 December 2019 of the Company's land and buildings comprises freehold properties of £173,975,000 (2018: £181,611,000).

The Company assesses impairment of property, plant and equipment at each reporting date by evaluating conditions specific to the assets that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined.

An impairment loss of £1,803,000 (2018: £1,955,000) was recognised during the year relating to plant, equipment and vehicles.

11 Right of use assets

	Land and buildings £'000
Net book value	
At 1 January 2019	5,095
Depreciation charge for the year	(484)
At 31 December 2019	4,611

The total cash outflow for leases amounted to £546,000.
There were no significant lease commitments for leases which had not commenced at the year-end.

12 Intangible assets

	Computer software £'000
Cost	
At 1 January 2019	139,888
Additions	33,698
Disposals and write-offs	(9,796)
Reclassifications (Note 9)	55
At 31 December 2019	**163,845**
Accumulated amortisation	
At 1 January 2019	(49,924)
Charge for the year	(26,854)
Disposals and write-offs	5,121
Reclassifications (Note 9)	137
At 31 December 2019	**(71,520)**
Accumulated impairment	
At 1 January 2019	(1,468)
Impairment charge for the year	(4,210)
Disposals and write-offs	4,675
At 31 December 2019	**(1,003)**
Total amortisation and impairment at 31 December 2019	**(72,523)**
Net book value at 31 December 2018	**88,496**
Net book value at 31 December 2019	**91,322**

The current year impairment loss of £4,210,000 (2018: £7,191,000) relates to impairment made during the review of the intangible asset register.

The current year disposals and write-offs of cost of £9,796,000 (2018: £37,054,000) relates to the write-off of obsolete assets during the annual review of the computer software asset register.

Amortisation of intangible assets is included in research and development expenditure in the income statement.

13 Equity investments

	Equity investments £'000
Cost at 1 January 2019 and 31 December 2019	**55**
Revaluation reserve	
At 1 January 2019	**145**
Movement in the year	(6)
At 31 December 2019	**139**
Carrying value at 1 January 2019	**200**
Carrying value at 31 December 2019	**194**

Investment	Country of incorporation	Class of share held	% holding	Carrying value £'000
Cellzome Inc.	United States	Common	0.5	**194**

In the current year, the investment holding in Cellzome Inc. remained at 0.5% (2018: 0.5%) for the Company.

The Directors believe that the carrying value of the investment is supported by its underlying net assets.

14 Trade and other receivables

	2019 £'000	2018 £'000
Amounts due within one year		
Amounts owed by Group undertakings	**1,255,658**	1,156,154
Other receivables	**22,228**	5,523
	1,277,886	1,161,677

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 £762,453,000 (2018: £641,492,000) which is unsecured with interest received at LIBOR rate less 0.125% (2018: LIBOR rate less 0.125%) per annum and repayable on demand.

15 Prepayments and accrued income

	2019 £'000	2018 £'000
Amounts due within one year	**46,702**	36,403
Amounts due after more than one year	**21,443**	23,365
	68,145	59,768

16 Trade and other payables

	2019 £'000	2018 £'000
Amounts falling due within one year		
Trade payables	**209,031**	165,901
Amounts owed to Group undertakings	**232,607**	245,307
Other taxes and social security	**4,957**	5,120
	446,595	416,328

Amounts owed to Group undertakings are unsecured, interest free 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 comparitives on the balance sheet.

17 Borrowings

	2019 £'000
Amounts falling due within one year	
Bank overdraft	**4**
Lease liabilities	**540**
Amounts falling due after more than one year	
Lease liabilities	**4,102**
	4,642

18 Accruals and deferred income

	2019 £'000	2018 £'000
Amounts falling due within one year	**90,622**	77,443
Amounts falling due after more than one year	**1,856**	1,949
	92,478	79,392

Accruals and deferred income falling due within one year includes a bonus award of £49,590,000 (2018: £37,445,000) and deferred severance pay expenditure of £399,000 (2018: £9,051,000).

Accruals and deferred income falling due after more than one year relate to grant income of £1,856,000 (2018: £1,949,000) from the Medical Research Council in relation to the Addenbrookes facility in Cambridge which is being recognised over the term of the grant.

19 Other provisions

	Other provisions £'000
At 1 January 2018	**22,787**
Charge for the year	22,233
Reversed/ released	(795)
Utilised	(13,866)
Reclassifications and other movements	(1,530)
At 31 December 2018	**28,829**
Charge for the year	57,338
Reversed/released	(6,249)
Utilised	(46,323)
Reclassifications and other movements	3,237
At 31 December 2019	**36,832**

Other provisions include severance cost under the Group's Operational Excellence Programme of £30,432,000 (2018: £20,000,000), Pipeline Award provision of £1,100,000 (2018: £4,000,000) payable within 1 year and Pipeline Award provision of £5,300,000 (2018: £5,000,000) payable after more than one year. Management anticipates the Pipeline Awards provision, a bonus award for R&D success to be used by 2024.

20 Share capital

	2019 Number of shares	2018 Number of shares	**2019 £'000**	2018 £'000
Issued and fully paid				
Ordinary Shares of £1 each (2018: £1 each)	**600,000,000**	600,000,000	**600,000**	600,000

21 Other reserves

	Fair value reserve £'000
At 1 January 2019	**145**
Fair value movements on equity investments	**(6)**
At 31 December 2019	**139**

Other reserves of £139,000 relate to cumulative fair value gains on equity investments.

22 Commitments

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

Capital commitments	**2019 £'000**	2018 £'000
Contracted for but not provided in the financial statements:		
Intangible assets	**5,131**	4,203
Property, plant and equipment	**21,913**	14,794

22 *Commitments (continued)*

Commitments under non-cancellable operating leases for 2018 are disclosed below. Owing to the implementation of IFRS 16, disclosure for 2019 has not been provided as all leases have now come onto the balance sheet.

Commitments under non-cancellable operating leases	2018 £'000
Rental payments due within one year	400
Rental payments due between one and not later than five years	1,600
Rental payments due after five years	1,500
Total commitments under non-cancellable operating leases	3,500

23 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.

24 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.

25 Directors' remuneration

The Directors' remuneration is as follows:	**2019 £'000**	2018 £'000
Salary and fees	**268**	262
Retirement benefits and other emoluments	**34**	34
Bonus	**142**	124
Share based payments	**128**	96
Total	**572**	516

No retirement benefits accrued under defined benefits pension schemes and money purchase schemes for Directors during the year ended 31 December 2019 (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).

25 Directors' remuneration (continued)

Highest paid Director

	2019 £'000	2018 £'000
Salary and fees	**134**	130
Retirement benefits and other emoluments	**23**	25
Bonus	**77**	61
Share based payments	**128**	96
Total	**362**	312

26 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.