

GlaxoSmithKline Export Limited
(Registered number: 02433585)

Annual report

for the year ended 31 December 2018



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

GlaxoSmithKline Export Limited
(Registered number: 02433585)

Annual report

for the year ended 31 December 2018

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GlaxoSmithKline Export Limited
(Registered number: 02433585)

Strategic report for the year ended 31 December 2018

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

Principal activities and future developments

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

The principal activity of the Company is the distribution of pharmaceutical products purchased from the Group to third parties, in territories where the Group does not have a legal presence. The Company also performs limited sales and marketing functions in conjunction with its distribution activities. In support of these sales and in addition to its own costs, the Company bears appropriate related expenses recharged by the Group, including a fee relating to distribution rights. The Company operates overseas branch and representative offices based in Africa, Middle East and Eastern Europe. The largest of these offices are based in Saudi Arabia and the United Arab Emirates.

The Company disposed of its Consumer business in September 2017. Therefore, the Company has disclosed its activity involving consumer healthcare products as discontinued operations. Assets and liabilities related to consumer healthcare products which were recognised as assets held for sale in the previous year have all been disposed of in the current year.

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

Review of business

The Company made a profit for the financial year of £58,769,000 (2017: loss of £47,603,000). The Directors are of the opinion that the current level of activity and the year end financial position are sustainable. Therefore the Directors are of the opinion that the Company remains a going concern.

The profit for the financial year of £58,769,000 will be transferred to reserves (2017: loss for the year of £47,603,000 transferred from 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 2018 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 2018 Annual Report which does not form part of this report.

GlaxoSmithKline Export Limited
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Strategic report for the year ended 31 December 2018

Approach to Brexit

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

On behalf of the Board

A handwritten signature in black ink, appearing to be 'D Jackson', written over a horizontal line.

D Jackson
Director
30 September 2019

GlaxoSmithKline Export Limited
(Registered number: 02433585)

Directors' report for the year ended 31 December 2018

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

Results and dividends

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

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

Branch and representative offices

The Company operates through branch and representative offices outside of the United Kingdom. These offices are mainly resident in Africa, Middle East and Eastern Europe.

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:

O Dubianskij	(Resigned on 1 September 2018)
D Jackson	(Appointed on 8 February 2018)
A Walker	
A Burns	(Resigned on 25 February 2019)
J Whitmore	(Appointed on 8 October 2018)
A Lynch	(Appointed on 26 March 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.

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 or her engagement in the business of the Company.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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

GlaxoSmithKline Export Limited
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Directors' report for the year ended 31 December 2018

Statement of Directors' responsibilities (continued)

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

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

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

The following items have been included in the strategic report on page 1 & 2:

- principal activities and future developments;
- review of business;
- principal risks and uncertainties;
- key performance indicators; and
- approach to Brexit.

Governance

The Company's approach to the Modern Slavery Act 2015 is set by the Group. Each year, as part of their governance arrangements, the Group formally reviews and approves the approach to the Modern Slavery Act 2015 and has confirmed that the approach is still valid for 2018.

Disclosure of information to auditors

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

Independent auditor

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

On behalf of the Board



D Jackson
Director
30 September 2019

GlaxoSmithKline Export Limited
(Registered number: 02433585)

Independent auditor's report to the members of GlaxoSmithKline Export Limited

Report on the audit of the financial statements

Opinion

In our opinion, GlaxoSmithKline Export Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 18.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements, 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.

GlaxoSmithKline Export Limited
(Registered number: 02433585)

Independent auditor's report to the members of GlaxoSmithKline Export Limited (continued)

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.

Auditors' 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 auditors' 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 auditors' report.

Report on other legal and regulatory requirements
Opinions on other matters prescribed by the Companies Act 2006

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

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

We have nothing to report in respect of these matters.

GlaxoSmithKline Export Limited
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Independent auditor's report to the members of GlaxoSmithKline Export Limited (continued)

Use of this 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 Auditors
London, United Kingdom
30 September 2019

GlaxoSmithKline Export Limited
(Registered number: 02433585)

**Statement of comprehensive income
for the year ended 31 December 2018**

		2018			2017		
	Note	Continuing operations £'000	Discontinued operations £'000	Total £'000	Continuing operations £'000	Discontinued operations £'000	Total £'000
Turnover	4	609,340	36,482	645,822	644,972	131,122	776,094
Cost of sales		(482,995)	(12,424)	(495,419)	(492,537)	(66,301)	(558,838)
Gross profit		126,345	24,058	150,403	152,435	64,821	217,256
Selling and distribution costs		(67,756)	(5,828)	(73,584)	(71,010)	(38,117)	(109,127)
Administrative expenses		(36,291)	(8,986)	(45,277)	(31,311)	(11,194)	(42,505)
Other operating income / (expenses)		2,255	24,586	26,841	(22,070)	(90,337)	(112,407)
Operating profit / (loss)	5	24,553	33,830	58,383	28,044	(74,827)	(46,783)
Profit / (loss) before interest and taxation		24,553	33,830	58,383	28,044	(74,827)	(46,783)
Finance income	7	191	-	191	211	-	211
Finance expense	8	(1,244)	-	(1,244)	(567)	-	(567)
Finance expense - net		(1,053)	-	(1,053)	(356)	-	(356)
Profit / (loss) before taxation		23,500	33,830	57,330	27,688	(74,827)	(47,139)
Taxation	9	1,439	-	1,439	(14,868)	14,404	(464)
Profit / (loss) for the financial year		24,939	33,830	58,769	12,820	(60,423)	(47,603)

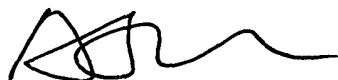
The Company has no other comprehensive income during either the current year or prior year and therefore no separate statement of other comprehensive income has been presented.

GlaxoSmithKline Export Limited
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Balance sheet
as at 31 December 2018

	Note	2018 £'000	2017 £'000
Non-current assets			
Property, plant and equipment	10	4,040	5,804
Deferred tax assets	9	8,019	8,935
Other receivables	12	1,741	1,805
Total non-current assets		13,800	16,544
Current assets			
Inventories	11	62,981	83,225
Trade and other receivables	12	298,843	303,559
Cash and cash equivalents		51,744	44,300
Total current assets		413,568	431,084
Total assets		427,368	447,628
Current liabilities			
Trade and other payables	13	(240,527)	(315,230)
Total current liabilities		(240,527)	(315,230)
Net current assets		173,041	115,854
Total assets less current liabilities		186,841	132,398
Non-current liabilities			
Provisions for liabilities	14	(12,855)	(19,604)
Other payables	13	(22,331)	(18,227)
Total non-current liabilities		(35,186)	(37,831)
Total liabilities		(275,713)	(353,061)
Net assets		151,655	94,567
Equity			
Share capital	15	-	-
Retained earnings		151,655	94,567
Shareholders' equity		151,655	94,567

The financial statements on pages 8 to 26 were approved by the Board of Directors on 30 September 2019 and were signed on its behalf by:



D Jackson
Director

GlaxoSmithKline Export Limited
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Statement of changes in equity
for the year ended 31 December 2018

	Share capital £'000	Retained earnings £'000
At 1 January 2017	-	142,170
Loss and total comprehensive expense for the year	-	(47,603)
At 31 December 2017	-	94,567
Implementation of IFRS 9	-	(1,681)
At 31 December 2017, as adjusted		92,886
Profit and total comprehensive income for the year	-	58,769
At 31 December 2018	-	151,655

GlaxoSmithKline Export Limited
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Notes to the financial statements for the year ended 31 December 2018

1 Presentation of the financial statements

General information

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

The principal activity of the Company is the distribution of pharmaceutical products purchased from the Group to third parties, in territories where the Group does not have a legal presence. The Company also performs limited sales and marketing functions in conjunction with its distribution activities. In support of these sales and in addition to its own costs, the Company bears appropriate related expenses recharged by the Group, including a fee relating to distribution rights. The Company operates overseas branch and representative offices based in Africa, Middle East and Eastern Europe. The largest of these offices are based in Saudi Arabia and the United Arab Emirates.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements ("FRS 100") and Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

These financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006.

The financial statements are presented in Pounds Sterling.

Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payments' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined).
- The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations.
- The requirements of paragraph 33(c) of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.
- IFRS 7, 'Financial instruments: disclosures'.
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - (i) paragraph 79(a) (iv) of IAS 1,
 - (ii) paragraph 73(e) of IAS 16 Property, plant and equipment,
 - (iii) paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period),

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

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

- (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'.
- 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) below.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

(b) Ultimate and immediate parent undertaking

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

(c) Implementation of IFRS 9 'Financial instruments'

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

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

GlaxoSmithKline Export Limited
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Notes to the financial statements for the year ended 31 December 2018

2 Summary of significant accounting policies (continued)

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

Classification and measurement of financial assets

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

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

Upon transition to IFRS 9, an ECL assessment of £1,681,000 was made on 1 January 2018 in relation to trade receivables. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the company considers reasonable and supportable information that is relevant. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

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

Impairment of financial assets

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

12-month ECLs are applied to all financial assets not measured at FVTPL except for net trade receivables which are measured reflecting lifetime ECLs using the simplified approach.

(d) Foreign currency

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.

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

(e) Turnover

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

Turnover represents the net invoice value after the deduction of discounts and allowances given and accruals for estimated future rebates and returns. The methodology and assumptions used to estimate rebates and returns are monitored and adjusted regularly in the light of historical information and past experience. Value added tax and other sales taxes are excluded from turnover.

(f) Expenditure

Expenditure is recognised in respect of goods and services received when supplied in accordance with contractual terms. A provision is made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated. Advertising and promotion expenditure is charged to the statement of comprehensive income as incurred. Shipment costs on inter-company transfers are charged to cost of sales. Distribution costs on sales to customers are included in selling and distribution costs in the statement of comprehensive income.

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) Royalty income and expenses

Royalty income and expenses are recognised in other operating income and expenses on an accruals basis in accordance with the terms of the relevant licensing agreements.

(h) Finance income and expense

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

(i) Property, plant and equipment

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

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

Plant, machinery, equipment and vehicles	3 to 20 years
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(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.

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

2 Summary of significant accounting policies (continued)

(k) Capitalised borrowing costs

The Company's borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. All other borrowing costs are recognised as expenses in the period in which they are incurred.

(l) Impairment of non-current assets

The carrying values of all non-financial assets are reviewed for impairment, either on a standalone basis or as part of a larger cash generating unit, when there is an indication that the assets might be impaired. Any provision for impairment is charged to the statement of comprehensive income 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.

(m) Leases

All leases are operating leases and the rental costs are charged to the statement of comprehensive income on a straight-line basis over the lease term.

(n) Inventories

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

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

2 Summary of significant accounting policies (continued)

(o) Trade and other receivables

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

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

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

(p) 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.

(q) Trade and other payables

Trade and other payables are initially recognised at fair value and then held at amortised cost using the effective interest method. Long-term payables are discounted where the effect is material.

(r) Taxation

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

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

(s) 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.

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

2 Summary of significant accounting policies (continued)

(t) Legal and other disputes

Provision is made for the anticipated settlement costs of legal or other disputes against the Company where an outflow of resources is considered probable and a reliable estimate can be made of the likely outcome. In addition, provision is made for legal or other expenses arising from claims received or other disputes. In respect of product liability claims related to certain products, there is sufficient history of claims made and settlements to enable management to make a reliable estimate of the provision required to cover unasserted claims. In certain cases, an incurred but not reported (IBNR) actuarial technique is used to determine this estimate.

The Company may become involved in legal proceedings, in respect of which it is not possible to make a reliable estimate of the expected financial effect, if any, that could result from ultimate resolution of the proceedings. In these cases, appropriate disclosure about such cases would be included but no provision would be made. Costs associated with claims made by the Company against third parties are charged to the statement of comprehensive income as they are incurred.

(u) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of, has been abandoned or meets the criteria to be classified as held for sale.

Discontinued operations are presented on the statement of comprehensive income as a separate line and are shown net of tax.

(v) Share capital

Ordinary shares are classified as equity.

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

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

Turnover represents the net invoice value after the deduction of discounts and allowances given and accruals for estimated future rebates and returns.

Value added tax and other sales taxes are excluded from turnover.

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

2 Summary of significant accounting policies (continued)

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

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

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

3 Critical accounting judgments and key sources of estimation uncertainty

In preparing the financial statements, the Directors are required to make estimates and assumptions that affect the amounts of assets, liabilities, revenue and expenses reported in the financial statements. Actual amounts and results could differ from those estimates. The following are considered to be the key accounting judgements and estimates made.

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

(a) Turnover

Turnover is recognised when title and risk of loss is passed to the customer, reliable estimates can be made of relevant deductions and all relevant obligations have been fulfilled, such that the earnings process is regarded as being complete.

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

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

The level of accrual for rebates and returns is reviewed and adjusted regularly in the light of contractual and legal obligations, historical trends, past experience and projected market conditions. Market conditions are evaluated using wholesaler and other third-party analyses, market research data and internally generated information. Future events could cause the assumptions on which the accruals are based to change, which could affect the future results of the Company.

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

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

(b) Taxation

Current tax is provided at the amounts expected to be paid or refunded, and deferred tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts, at the rates that have been enacted or substantively enacted by the balance sheet date.

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, based on managements assumptions relating to the amounts and timing of future taxable profits.

(c) Useful economic lives of property, plant and equipment

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the asset. See Note 10 for the carrying values of property, plant and equipment. Useful economic lives are disclosed in the accounting policy for property, plant and equipment.

(d) Impairment of trade receivables

The Company makes an estimate of the recoverable value of trade and other receivables. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. See Note 12 for the net carrying amount of receivables and associated impairment provision.

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

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

(e) Legal and other disputes

The Company provides for anticipated settlement costs relating to restructuring and legal expenses, where an outflow of resources is considered probable and a reliable estimate may be made of the likely outcome of the dispute and legal and other expenses arising from claims against the Company. These estimates take into account the specific circumstances of each dispute and relevant external advice, are inherently judgemental and could change substantially over time as new facts emerge and each dispute progresses.

The Company's Directors, having taken legal advice, have established provisions after taking into account the relevant facts and circumstances of each matter and in accordance with accounting requirements. In respect of product liability claims related to certain products there is sufficient history of claims made and settlements to enable management to make a reliable estimate of the provision required to cover unasserted claims. The Company may become involved in legal proceedings, in respect of which it is not possible to make a reliable estimate of the expected financial effect, if any, that will result from ultimate resolution of the proceedings. In these cases, appropriate disclosure about such cases would be included, but no provision would be made and no contingent liability can be quantified.

The ultimate liability for legal claims may vary from the amounts provided and is dependent upon the outcome of litigation proceedings, investigations and possible settlement negotiations. The position could change over time and, therefore, there can be no assurance that any losses that result from the outcome of any legal proceedings will not exceed the amount of the provisions reported in the Company's financial statements by a material amount.

(f) Inventory provisioning

The Company sells products and is subject to changing consumer demands. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials.

4 Turnover

Analysis of turnover by geography:

	2018			2017		
	Continuing operations £'000	Discontinued operations £'000	Total £'000	Continuing operations £'000	Discontinued operations £'000	Total £'000
Europe	203,319	27,482	230,801	218,030	27,635	245,665
Asia, Far East and Oceania	75,082	-	75,082	95,577	736	96,313
Africa and Middle East	246,167	9,000	255,167	269,195	102,751	371,946
North America	5,570	-	5,570	7,258	-	7,258
Latin America and Caribbean	79,202	-	79,202	54,912	-	54,912
	609,340	36,482	645,822	644,972	131,122	776,094

All discontinued operations relate to the consumer business.

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

5 Operating profit / (loss)

	2018 £'000	2017 £'000
The following items have been (charged) / credited in operating profit / (loss)		
Depreciation of property, plant and equipment:		
Owned assets	(1,691)	(1,626)
Royalties payable to Group undertakings	(67,810)	(44,209)
Royalty income from Group undertakings	25,328	7,578
Reversal / (Impairment) of trade and other receivables	(743)	3,275
(Loss) / Gain on disposal of property, plant and equipment	(225)	147
Exchange gains / (loss) on foreign currency transactions	4,274	(10,854)
Inventories:		
Cost of inventories included in cost of sales	(483,854)	(518,864)
Write-down of inventories	-	-
Reversal of prior year write-down of inventories	11,033	4,481
Operating lease rentals:		
Land and buildings	(1,672)	(1,135)
Plant, equipment and vehicles	(457)	(398)
Management fee	(13)	(13)
Audit fees		
Auditors' UK firm	(409)	(409)
Other expenses	17,218	(827)

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

6 Employees

All employees of the Company are based overseas. A summary of employee costs is included below:

	2018 £'000	2017 £'000
Employee costs		
Wages and salaries	82,280	72,077
Social security costs	3,479	3,415
Other post retirement costs	4,431	3,403
Share based payments	2,154	3,275
	92,344	82,170

The average number of persons employed by the Company (including Directors)	2018 number	2017 number
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Selling, research and development, general and administration	836	1,070
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The average number of Company employees exclude temporary and contract staff.

7 Finance income

	2018 £'000	2017 £'000
On loans with Group undertakings	-	20
Finance income	191	191
Total finance income	191	211

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

8 Finance Expense

	2018 £'000	2017 £'000
On loans with Group undertakings	(569)	(184)
Finance expense	(675)	(383)
Total finance expense	(1,244)	(567)

9 Taxation

	2018 £'000	2017 £'000
Income tax (credit) / charge on profit / (loss)		
Current tax:		
UK corporation tax	13,942	(8,015)
Non deductible expenses	-	14,111
Adjustments in respect of previous years	(16,297)	(6,884)
Total current tax	(2,355)	(788)
Deferred tax:		
Origination and reversal of timing differences	(1,065)	(1,813)
Adjustments in respect of previous years	1,981	3,065
Effect of tax rate change on opening balance	-	-
Total deferred tax	916	1,252
Total tax (credit) / charge for the year	(1,439)	464

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

Reconciliation of total tax charge	2018 £'000	2017 £'000
Profit / (loss) before taxation	57,330	(47,139)
Tax on ordinary activities at the UK statutory rate 19.00% (2017: 19.25%)	10,893	(9,073)
Effects of:		
Expenses not deductible for tax purposes	3,382	12
Income not taxable	(1,524)	(1,241)
Adjustments to tax charge in respect of previous years - current tax	(2,186)	(6,884)
Adjustments to tax charge in respect of previous periods - deferred tax	1,981	3,065
Change in tax rate - impact on deferred tax	126	240
Adjustment in respect of TDSA payments	(14,111)	14,111
Fixed asset differences	-	234
Total tax (credit) / charge for the year	(1,439)	464

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

9 Taxation (continued)

Factors that may affect future tax charges:

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015, and a further reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred taxes at balance sheet date has been calculated based on these rates.

Movement in deferred tax assets and liabilities

	Accelerated capital allowances £'000	Other net temporary differences £'000	Total £'000
At 1 January 2017	2,360	7,827	10,187
Credit / (charge) to statement of comprehensive income	485	(1,737)	(1,252)
At 1 January 2018	2,845	6,090	8,935
Credit / (charge) to statement of comprehensive income	320	(1,236)	(916)
At 31 December 2018	3,165	4,854	8,019

Movement in deferred tax assets and liabilities

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

	2018 £'000	2017 £'000
Deferred tax assets classified as non-current assets	8,019	8,935
	8,019	8,935

Deferred tax assets are recognised where it is probable that future taxable profits will be available to utilise the losses.

10 Property, plant and equipment

	Plant, equipment and vehicles £'000
Cost	
At 1 January 2018	31,281
Additions	330
Disposals	(2,756)
At 31 December 2018	28,855
Accumulated depreciation	£'000
At 1 January 2018	(25,477)
Disposals	2,353
Charge for the year	(1,691)
At 31 December 2018	(24,815)
Net book value at 1 January 2018	5,804
Net book value at 31 December 2018	4,040

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

11 Inventories

	2018 £'000	2017 £'000
Finished goods	62,981	83,225

12 Trade and other receivables

	2018 £'000	2017 £'000
Amounts due within one year		
Trade receivables - gross	126,207	169,625
Amounts owed by Group undertakings	157,992	140,420
Other receivables	14,644	18,077
	298,843	303,559

	2018 £'000	2017 £'000
Loss allowance		
At January	(24,563)	(38,514)
Implementation of IFRS 9	(1,681)	-
At January as adjusted	(26,244)	(38,514)
(Charge) / reversal for the year	(579)	13,951
Utilised	325	-
	(26,498)	(24,563)

On the total trade receivable balance none was considered credit impaired.

	2018 £'000	2017 £'000
Amounts due after more than one year		
Other receivables	1,741	1,805
	1,741	1,805
	300,584	305,364

The amounts owed by Group undertakings are unsecured and are repayable on demand except for intercompany balances with SmithKline Beecham Marketing and Technical Services Limited of £49,000 (2017: £54,000) and with GSK IHC Ltd of £4,258,000 (2017: £nil) which is unsecured with interest received at LIBOR rate less 0.125% (2017: LIBOR rate less 0.125%) per annum.

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

13 Trade and other payables

	2018 £'000	2017 £'000
Amounts falling due within one year		
Trade payables	17,432	17,110
Amounts owed to Group undertakings	72,176	111,870
Corporation tax	28,053	20,248
Other payables	38,849	71,392
Accruals and deferred income	84,017	94,610
	240,527	315,230
Amounts falling due after more than one year		
Other payables	22,331	18,227
	262,858	333,457

The amounts owed by Group undertakings include a call account balance with GlaxoSmithKline IHC Limited of £nil (2017: £15,625,259) which is unsecured with interest charged at LIBOR rate plus 0.25% per annum (2017: LIBOR rate plus 0.25%) and payable on demand.

Within 'Amounts falling due after more than one year' there is a balance of £2,957,000 (2017: £13,158,000) which relates to end of service agreements with employees based in the MENA region. These are in line with the labour law of the respective country and are calculated based on years of service and salary amount.

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

14 Provisions for liabilities

The Company had the following provisions during the year:

	Restructuring and legal provision £'000
At 1 January 2017	16,335
Amount charged in the year	6,740
Utilised	(3,261)
Reclassifications and other movements	25
Reversed	(235)
At 31 December 2017	19,604
Amount charged in the year	3,552
Utilised	(10,301)
At 31 December 2018	12,855

15 Share capital

	2018 Number of shares	2017 Number of shares	2018 £'000	2017 £'000
Issued and fully paid				
Ordinary Shares of £1 each (2017: £1 each)	100	100	-	-

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

16 Contingent liabilities

	2018 £'000	2017 £'000
Indemnities, bonds and guarantees given in the ordinary course of business	5,420	14,847

Contingent liabilities represent bank guarantees issued to customers in relation to bid and performance bonds.

Group banking arrangement

The Company, together with fellow Group undertakings has entered into a Group banking arrangement with the Company's principal bank. The bank holds the right to pay and apply funds from any account of the Company to settle any indebtedness to the bank of any other party to this agreement. The Company's maximum potential liability as at 31 December 2018 is limited to the amount held on its accounts with the bank. No loss is expected to accrue to the Company from the agreement.

17 Directors' remuneration

During the year the Directors of the Company were remunerated as executives of the Group. They received no remuneration in respect of their services to the Company (2017: £nil).

18 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.