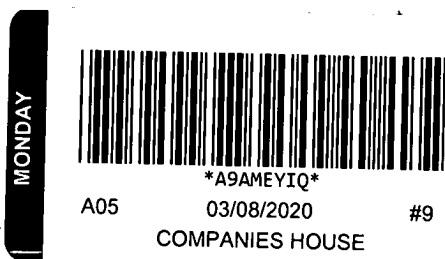


ViiV Healthcare Trading Services UK Limited
(Registered number: 06982415)

Annual Report

for the year ended 31 December 2019



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

ViiV Healthcare Trading Services UK Limited
(Registered number: 06982415)

Annual report

for the year ended 31 December 2019

Contents	Pages
Strategic report	1-2
Directors' report	3-6
Independent auditor's report	7-9
Income statement	10
Statement of other comprehensive income	11
Balance sheet	12
Statement of changes in equity	13
Notes to the financial statements	14-24

ViiV Healthcare Trading Services UK Limited
(Registered number: 06982415)

Strategic report for the year ended 31 December 2019

The Directors present their Strategic report on ViiV Healthcare Trading Services UK Limited (the "Company") for the year ended 31 December 2019.

Principal activities and future developments

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

The principal activity of the Company during the financial year was the promotion and sale of HIV related pharmaceuticals in overseas countries. The pharmaceutical products are purchased from subsidiaries of GlaxoSmithKline plc and third parties. The Company is responsible for exporting products of the Group within the Group and to the GlaxoSmithKline plc group ("GSK Group"). The Company is also responsible for certain imports from overseas subsidiaries of the Group and the GSK Group. The Company operates an overseas branch in Singapore and, a representative office in Russia, the operations of which are in the process of being wound down.

The Group does not hold or issue derivatives for speculative purposes and its treasury policies specifically prohibit such activity. All transactions in financial instruments are undertaken to manage the risks arising from underlying business activities.

Review of business

The Company made a profit for the financial year of £22,996,000 (2018: profit of £28,748,000). The Directors are of the opinion that the current level of activity and the year end financial position are satisfactory and will remain so in the foreseeable future.

The profit for the year of £22,996,000 will be transferred to reserves (2018: profit for the year of £28,748,000 transferred to reserves).

Principal risks and uncertainties

The Directors of ViiV Healthcare Limited and its subsidiaries 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 ViiV Healthcare Limited 2019 annual report which does not form part of this report.

Key performance indicators (KPIs)

The Directors of the Group manage the Group's operations on an operating segment basis. For this reason, the Company's Directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the Company's business. The development, performance and position of the Group are discussed in the ViiV Healthcare Limited 2019 annual report which does not form part of this report.

ViiV Healthcare Trading Services UK Limited
(Registered number: 06982415)

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

Approach to Brexit

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

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

Risks associated with the coronavirus outbreak

The potential impact of the coronavirus outbreak on the Company's 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.

Section 172 Companies Act 2006 statement

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

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

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

Post balance sheet event

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.

On behalf of the Board



J Anderson
Director
10 July 2020

ViiV Healthcare Trading Services UK Limited
(Registered number: 06982415)

Directors' report for the year ended 31 December 2019

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

Results and dividends

The Company's results for the financial year are shown in the income statement on page 10.

An interim dividend of £81,500,000 was proposed on 29 July 2019 and paid to the holders of ordinary shares in September 2019 (2018: £nil).

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

Financial instruments

The Company has entered into a foreign currency forward contract to hedge a foreign exchange risk arising from its investment in subsidiary companies based overseas. Detailed disclosures are not provided in the financial statements as the Company has taken advantage of the exemption from disclosure under FRS 101. Details of financial risk management are disclosed in Note 2(n).

The Company has entered into foreign currency swap contracts in order to swap intercompany loans into the Company's reporting currency. Detailed disclosures are not provided in the financial statements as the Company has taken advantage of the exemption from disclosure under FRS 101. Details of financial risk management are disclosed in Note 2(n).

Branches

The Company operates a branch office in Singapore by the name of ViiV Healthcare Trading Services UK Limited - Singapore.

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:

D Waterhouse	
G Reinaud	(Resigned on 4 February 2019)
K Grainger	
C MacDiarmid	(Appointed on 3 May 2019)
J Anderson	
A Lynch	(Appointed on 1 October 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 who are employed by the Group benefits from an indemnity given by a Group undertaking, ViiV Healthcare UK Limited. 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.

ViiV Healthcare Trading Services UK Limited
(Registered number: 06982415)

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

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, 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 pages 1 and 2:

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

Modern Slavery

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

ViiV Healthcare Trading Services UK Limited
(Registered number: 06982415)

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

Corporate Governance

As a subsidiary company of the GSK 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 GSK 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.

ViiV Healthcare Trading Services UK Limited
(Registered number: 06982415)

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

Going concern

Having assessed the principal risks and other matters, including the potential impact of the COVID-19 pandemic, the Directors are of the opinion that the current level of activity remains sustainable. In relation to the challenges that arise from the COVID-19 pandemic, the considerations have included potential risks to demand and operational risks to supply throughout trade routes. The Directors have taken into account that as part of the GSK Group of companies, the Company has the ability to request support from the GSK Group where necessary and can take actions to ensure business continuity through operational channels, as well as the ability to manage variable costs. On the basis of those considerations, the Directors believe that it remains appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Disclosure of information to auditor

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

Independent auditor

Deloitte LLP have been appointed to act as the Company's auditors by a resolution of the Board of Directors in accordance with s489(3) Companies Act 2006.

On behalf of the Board



J Anderson
Director
10 July 2020

ViiV Healthcare Trading Services UK Limited
(Registered number: 06982415)

Independent auditor's report to the members of ViiV Healthcare Trading Services UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, the financial statements of ViiV Healthcare Trading Services UK Limited:

- 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 (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of other comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 20.

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 and its subsidiaries, 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.

ViiV Healthcare Trading Services UK Limited
(Registered number: 06982415)

Independent auditor's report to the members of ViiV Healthcare Trading Services UK 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 the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

ViiV Healthcare Trading Services UK Limited
(Registered number: 06982415)

Independent auditor's report to the members of ViiV Healthcare Trading Services UK 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.

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
13 July 2020

ViiV Healthcare Trading Services UK Limited
(Registered number: 06982415)

Income statement
for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Turnover	4	4,334,122	4,518,605
Cost of sales		(4,292,459)	(4,470,046)
Gross profit		41,663	48,559
Selling and distribution costs		(17,695)	(13,596)
Administrative expenses		(4,374)	(3,121)
Other operating expense		(9,554)	(12,800)
Operating profit	5	10,040	19,042
Finance income	7	40,070	26,535
Finance expense	8	(21,614)	(10,088)
Net finance income		18,456	16,447
Profit before taxation		28,496	35,489
Taxation	9	(5,500)	(6,741)
Profit for the year		22,996	28,748

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

ViiV Healthcare Trading Services UK Limited
(Registered number: 06982415)

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

	2019	2018
	£'000	£'000
Profit for the year	22,996	28,748
Items that may be subsequently reclassified to the income statement:		
Exchange movements on conversion of foreign currency to functional currency	28	(1)
Other comprehensive income / (expense) for the year	28	(1)
Total comprehensive income for the year	23,024	28,747

ViiV Healthcare Trading Services UK Limited
(Registered number: 06982415)

Balance sheet
as at 31 December 2019

		2019	2018
	Notes	£'000	£'000
Non-current assets			
Deferred tax assets	9	99	108
Current assets			
Inventories	11	17,629	14,947
Trade and other receivables	12	3,039,308	4,683,461
Corporation tax		62,389	424,302
Derivative financial instruments	13	-	1,180
Cash and cash equivalents		75,900	36,454
Total current assets		3,195,226	5,160,344
Total assets		3,195,325	5,160,452
Current liabilities			
Trade and other payables	14	(3,167,805)	(5,076,502)
Derivative financial instruments	13	(61)	-
Accruals and deferred income	15	(4,278)	(2,293)
Total current liabilities		(3,172,144)	(5,078,795)
Net current assets		23,082	81,549
Total assets less current liabilities		23,181	81,657
Total liabilities		(3,172,144)	(5,078,795)
Net assets		23,181	81,657
Equity			
Share capital	16	-	-
Retained earnings		23,181	81,657
Shareholder's equity		23,181	81,657

The financial statements on pages 10 to 24 were approved by the Board of Directors on 10 July 2020 and were signed on its behalf by:

Jin Anderson

J Anderson
Director

ViiV Healthcare Trading Services UK Limited
(Registered number: 06982415)

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

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 January 2018	-	52,910	52,910
Profit for the year	-	28,748	28,748
Other comprehensive expense	-	(1)	(1)
Total comprehensive income for the year	-	28,747	28,747
At 31 December 2018	-	81,657	81,657
Profit for the year	-	22,996	22,996
Other comprehensive income	-	28	28
Total comprehensive income for the year	-	23,024	23,024
Dividends to shareholders	-	(81,500)	(81,500)
At 31 December 2019	-	23,181	23,181

ViiV Healthcare Trading Services UK Limited
(Registered number: 06982415)

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.

The principal activity of the Company during the financial year was the promotion and sale of HIV related pharmaceuticals in overseas countries. The pharmaceutical products are purchased from subsidiaries of GlaxoSmithKline plc and third parties. The Company is responsible for exporting products of the Group within the Group and to the GSK Group. The Company is also responsible for certain imports from overseas subsidiaries of the Group and the GSK Group.

2 Summary of significant accounting policies

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

(a) Basis of preparation

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

These financial statements have been prepared on the going concern basis under the historical cost convention as modified by the revaluation of derivative financial assets and liabilities at fair value through profit and loss and available for sale financial assets, 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 potential risks related to services provided by the Company. The Directors have taken into account that as part of the GSK Group of companies, the Company has the ability to request support from the Group where necessary and can take actions to ensure business continuity through operational channels, as well as the ability to manage variable costs. On the basis of those considerations, the Directors believe that it remains appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101 to requirements set by the International Financial Reporting Standards (IFRS). Therefore these financial statements do not include:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payments' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined);
- The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3, 'Business Combinations';
- The requirements of paragraph 33(c) of IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations';
- IFRS 7, 'Financial instruments: disclosures';

ViiV Healthcare Trading Services UK Limited
(Registered number: 06982415)

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

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Disclosure exemptions adopted (continued)

- The requirements of 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.

ViiV Healthcare Trading Services UK Limited
(Registered number: 06982415)

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

2 Summary of significant accounting policies (continued)

(b) Ultimate and immediate parent undertaking

The Company is a 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 ViiV Healthcare Limited. These financial statements are separate financial statements.

(c) Foreign currency transactions

Foreign currency transactions are booked in the functional currency of the Company at the exchange rate ruling on the date of the transaction. Foreign currency monetary assets and liabilities are translated into the functional currency at rates of exchange ruling at the balance sheet date. Exchange differences are included in the income statement. The functional and presentation currency of the Company is Pounds Sterling.

On consolidation, assets and liabilities of the overseas branch is translated into Sterling at rates of exchange ruling at the balance sheet date. Exchange adjustments arising when the opening net assets and profits for the year retained by the branch are translated into Sterling are recorded in reserves. The Company retranslated its overseas branch results using the following rates (i) average rate of £1: SGD1.74 and (ii) period end rate of £1: SGD1.78.

(d) Turnover

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

Turnover is recognised when control of the goods is passed to the customer. The point at which control passes is determined by each customer arrangement.

Product turnover represents net invoice value including fixed and variable consideration. Variable consideration arises on the sale of goods as a result of discounts and allowances given and accruals for estimated future returns and rebates. Turnover is not recognised in full until it is highly probable that a significant reversal in the amount of cumulative turnover recognised will not occur. The methodology and assumptions used to estimate rebates and returns are monitored and adjusted regularly in the light of contractual and legal obligations, historical trends, past experience and projected market conditions. Once the uncertainty associated with the returns and rebates is resolved, turnover is adjusted accordingly. Value added tax and other sales taxes are excluded from turnover.

(e) Expenditure

Expenditure is recognised in respect of goods and services received when supplied in accordance with contractual terms. A provision is made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated. Advertising expenditure is charged to the income statement 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 income statement.

ViiV Healthcare Trading Services UK Limited
(Registered number: 06982415)

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

2 Summary of significant accounting policies (continued)

(f) Royalty income and expenses

The Company out-licenses the Company's rights to compounds, products or trademarks to other parties or other Group subsidiaries. These contracts give rise to fixed and variable consideration from royalties. Sales-based royalties on a license of intellectual property are not recognised until the relevant product sale occurs. Royalty income and expenses are recognised in other operating income and expenses.

(g) Dividends paid

Interim dividends paid are deducted from reserves in the year in which they are paid.

(h) Finance income and expense

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

(i) 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. 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.

(j) 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. Long-term receivables are discounted where the effect is material.

ViiV Healthcare Trading Services UK Limited
(Registered number: 06982415)

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

2 Summary of significant accounting policies (continued)

(k) 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.

(l) 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.

(m) Taxation

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

Deferred tax is provided in full, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is provided using rates of tax that have been enacted or substantively enacted by the balance sheet date.

(n) Derivative financial instruments and hedging

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

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

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

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

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

(o) Share capital

Ordinary shares are classified as equity.

ViiV Healthcare Trading Services UK Limited
(Registered number: 06982415)

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

3 Critical accounting judgements and key sources of estimation uncertainty

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

(a) Turnover

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

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

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

4 Turnover

Analysis of turnover by geography:

	2019 £'000	2018 £'000
USA	2,873,712	3,154,497
Europe	1,156,778	1,109,740
Rest of World	303,632	254,368
	4,334,122	4,518,605

The Company operates in only one business sector being the sale of HIV related pharmaceutical products.

5 Operating profit

	2019 £'000	2018 £'000
The following items have been charged / (credited) in operating profit:		
Exchange losses on foreign currency transactions	8,572	11,663
Inventories:		
Cost of inventories included in cost of sales	4,291,930	4,469,679
Write-down of inventories	529	367
Audit fees	46	46

ViiV Healthcare Trading Services UK Limited
(Registered number: 06982415)

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

6 Employees

All branch personnel providing services to the Company were remunerated by the Company. The Company has no UK employees (2018: nil). The following are the costs directly incurred by the Singapore branch for its employees.

	2019 £'000	2018 £'000
Employee costs		
Wages and salaries	2,083	1,102
Social security costs	17	656
	2,100	1,758

The average monthly number of persons employed by the Company (including Directors during the year)

	2019	2018
Selling, general and administration	5	3
Research and development	3	2
	8	5

7 Finance income

	2019 £'000	2018 £'000
On loans with Group undertakings	39,523	25,986
Gains on foreign exchange trading	315	220
Third party interest income	232	329
Total finance income	40,070	26,535

8 Finance expense

	2019 £'000	2018 £'000
On loans with Group undertakings	20,465	8,783
Other loans	-	22
Losses on derivative financial instruments	1,149	1,283
Total finance expense	21,614	10,088

9 Taxation

	2019 £'000	2018 £'000
Income tax expense on profit		
Current tax:		
UK corporation tax	5,393	6,716
Adjustments in respect of previous years	79	1
Adjustments in respect of previous years - foreign tax	19	-
Total current tax	5,491	6,717

ViiV Healthcare Trading Services UK Limited
(Registered number: 06982415)

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

9 Taxation (continued)

Deferred tax:

Origination and reversal of timing differences	22	24
Change in tax rate - impact on deferred tax	(13)	-
Total deferred tax	9	24
Total tax charge for the year	5,500	6,741

The tax assessed for the year is higher (2018: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2019 of 19% (2018: 19%). The differences are explained below:

Reconciliation of total tax charge	2019 £'000	2018 £'000
Profit on ordinary activities before tax	28,496	35,489
Tax on ordinary activities at the UK statutory rate 19% (2018: 19.00%)	5,415	6,743
Effects of:		
Adjustments to tax charge in respect of previous years	98	1
Rate difference in respect of deferred tax	(13)	(3)
Total tax charge for the year	5,500	6,741

Factors that may affect future tax rates:

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset as at 31 December 2019 has been calculated based on this rate. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. This will increase the Company's future current tax charge accordingly and increase the deferred tax asset by £10,480.

Movement in deferred tax assets

	Accelerated capital allowances £'000	Total Deferred taxation £'000
At 1 January 2019	108	108
Charge to income statement	(9)	(9)
At 31 December 2019	99	99

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

	2019 £'000	2018 £'000
Deferred tax assets classified as non-current assets	99	108
	99	108

ViiV Healthcare Trading Services UK Limited
(Registered number: 06982415)

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

10 Dividends paid

	£ per share	£ '000
Dividends paid in 2019		
30 September 2019	81,500	81,500
Dividends paid in 2018	-	-

11 Inventories

	2019 £'000	2018 £'000
Finished goods	17,629	14,947
	17,629	14,947

12 Trade and other receivables

	2019 £'000	2018 £'000
Amounts due within one year		
Trade receivables	-	2,682
Amounts owed by GSK Group undertakings	576,877	577,885
Amounts owed by Group undertakings	2,456,712	4,101,802
Other receivables	5,719	1,092
	3,039,308	4,683,461

The amounts owed by Group undertakings and GSK Group are unsecured, interest free and repayable on demand except for a call account balance with a number of Group entities amounting to £2,274,381,000 (2018: £3,973,353,000) and with GlaxoSmithKline Finance plc of £500,296,000 (2018: £500,333,000). Interest on call account balances is based on a weekly LIBOR rate, with some agreements also including a margin. These amounts are repayable on demand.

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

13 Derivative financial instruments

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

	2019 £'000		2018 £'000	
	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts - cash flow hedges	-	(61)	1,180	-
Current portion	-	(61)	1,180	-

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

ViiV Healthcare Trading Services UK Limited
(Registered number: 06982415)

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

13 Derivative financial instruments (continued)

(a) Forward foreign exchange contracts

The notional principal amounts of the outstanding derivative instruments at 31 December 2019 were £264,667,202 (2018: £313,453,158).

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

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

14 Trade and other payables

	2019 £'000	2018 £'000
Amounts falling due within one year		
Trade payables	36,694	15,842
Amounts owed to GSK Group undertakings	97,122	104,784
Amounts owed to Group undertakings	3,033,470	4,955,876
Other payables	519	-
	3,167,805	5,076,502

The amounts owed to Group undertakings and GSK Group are unsecured, interest free and repayable on demand except for a call account balance with a number of Group entities amounting to £3,311,165,000 (2018: £1,378,063,000) for which interest is payable at LIBOR rate plus 0.25% (2018: LIBOR rate plus 0.25%) per annum and repayable on demand.

15 Accruals and deferred income

	2019 £'000	2018 £'000
Amounts falling due within one year	4,278	2,293
	4,278	2,293

16 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)	1	1	-	-

17 Contingent liability

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.

ViiV Healthcare Trading Services UK Limited
(Registered number: 06982415)

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

18 Events after the end of 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.

19 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 (2018: £nil).

20 Related party transactions

The Company has taken advantage of the exemption afforded by FRS 101 'Reduced disclosure framework' not to disclose any related party transactions with other wholly owned members of the Group, or information around remuneration of key management personnel compensation. The related party transactions that do not qualify for exemptions are detailed below.

The Company is a wholly owned subsidiary of ViiV Healthcare Limited which is operated as a collaborative venture, 78.3% owned by GlaxoSmithKline Mercury Limited (a member of the GSK Group), 10.76% by PHIVCO Luxembourg S.a.r.l (Pfizer group), 0.94% by PHIVCO Corp. (Pfizer group) and 10.0% by Shionogi Limited. During the year, the Company undertook significant transactions with entities from within the Group, the GSK Group and the Pfizer group.

Entities from within the GSK Group supplied goods to and purchased goods from the Company during the year. In addition, entities from within the GSK Group were engaged to provide support function services to the Company under 'Support Services Agreements' including: financial management and reporting; human resources; payroll services; IT support; property management; legal services; contract manufacturing; management of the Group pension schemes; and management of the Group employee share schemes. The Group also operates separate agreements with GlaxoSmithKline affiliates for the provision of research and development and for toll-manufacturing services.

Entities from within the Pfizer group and GSK Group supplied goods to the Company during the year.

The table below outlines the amounts of the significant relevant transactions and significant outstanding amounts at the end of the financial year.

	GSK		Pfizer	
	Group of companies		Group of companies	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Sale of Goods	521,128	426,362	1,932	2,627
Purchase of Goods	201,328	238,588	12,347	4,438
Trade receivables at 31 December 2019	576,877	577,885	1,932	2,627
Trade payables at 31 December 2019	97,122	104,784	1,950	1,914