

GlaxoSmithKline Holdings (Ireland) Limited
(Registered number: 09163001)

Annual report

for the year ended 31 December 2018



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

GlaxoSmithKline Holdings (Ireland) Limited
(Registered number: 09163001)

Annual report

for the year ended 31 December 2018

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GlaxoSmithKline Holdings (Ireland) Limited
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Strategic report for the year ended 31 December 2018

The Directors present their strategic report on GlaxoSmithKline Holdings (Ireland) 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 United Kingdom (England). The address of the registered office is 980 Great West Road, Brentford, Middlesex TW8 9GS.

The principal activity of the Company are to act as an investment holding company. The Directors do not envisage any change to the nature of the business in the foreseeable future.

Review of business

The Company made a loss for the financial year of £13,804,000 (2017: loss of £10,343,000).

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 loss for the year of £13,804,000 will be transferred to reserves (2017: loss of £10,343,000 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.

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.

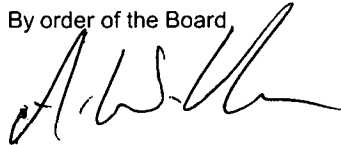
GlaxoSmithKline Holdings (Ireland) Limited
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Strategic report for the year ended 31 December 2018 (continued)

Post balance sheet events

In 2019 after reaching a definite agreement the Group announced the divestment of the Cork manufacturing site owned by the Company's investment, SmithKline Beecham (Cork) Limited. The Directors do not expect the divestment to have a significant impact on the Company's financial position going forward.

By order of the Board

A handwritten signature in black ink, appearing to read 'A Walker', written over the text 'By order of the Board'.

A Walker
Director
12 September 2019

GlaxoSmithKline Holdings (Ireland) Limited
(Registered number: 09163001)

Directors' report for the year ended 31 December 2018

The Directors present their report on the Company and the audited financial statements 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 7.

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

Financial instruments

In the year ended 31 December 2018, the Company entered into a forward foreign exchange contract to hedge foreign exchange risk arising from its investment in SmithKline Beecham (Cork) Limited, a Euro denominated company based overseas.

Directors and their interests

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 13 February 2019)
A Walker	
A Burns	(resigned on 8 May 2019)
J Borger	(appointed on 25 February 2019)
Glaxo Group Limited	
Edinburgh Pharmaceutical Industries Limited	

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

Directors' indemnity

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

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have 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.

GlaxoSmithKline Holdings (Ireland) Limited
(Registered number: 09163001)

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, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

- 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.

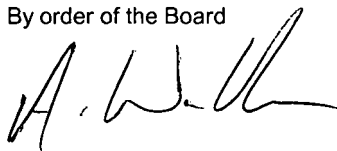
Disclosure of information to auditors

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 as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditor

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

By order of the Board



A Walker
Director

12 September 2019

GlaxoSmithKline Holdings (Ireland) Limited
(Registered number: 09163001)

Independent auditor's report to the members of GlaxoSmithKline Holdings (Ireland) Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of GlaxoSmithKline Holdings (Ireland) Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss 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 16.

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, 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.

GlaxoSmithKline Holdings (Ireland) Limited
(Registered number: 09163001)

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

Other information (continued)

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

GlaxoSmithKline Holdings (Ireland) Limited
(Registered number: 09163001)

Independent auditor's report to the members of GlaxoSmithKline Holdings (Ireland) 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:

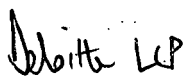
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law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

We have nothing to report in respect of these matters.

Use of our report

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

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



Deloitte LLP
Statutory Auditor
London, United Kingdom
12 September 2019

GlaxoSmithKline Holdings (Ireland) Limited
(Registered number: 09163001)

Statement of comprehensive income
for the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Other operating (loss) / income		(22)	235
Operating (loss) / profit	4	(22)	235
Finance income	5	13,888	353
Profit before taxation		13,866	588
Taxation	7	(27,670)	(10,931)
loss for the year		(13,804)	(10,343)

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

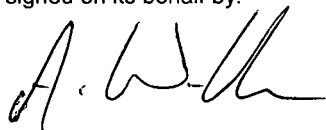
The Company has no other comprehensive income during either the current year or prior year and therefore no separate statement to present other comprehensive income has been prepared.

GlaxoSmithKline Holdings (Ireland) Limited
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Balance sheet
as at 31 December 2018

	Notes	2018 £'000	2017 £'000
Non-current assets			
Investments in subsidiary	8	2,022,306	1,969,803
Deferred tax assets	7	28	32
Total non-current assets		2,022,334	1,969,835
Current assets			
Trade and other receivables	9	191,737	226,728
Total current assets		191,737	226,728
Total assets		2,214,071	2,196,563
Current liabilities			
Trade and other payables	10	(38,143)	(13,528)
Derivative financial instruments	11	(6,697)	-
Total current liabilities		(44,840)	(13,528)
Net current assets		146,897	213,200
Total assets less current liabilities		2,169,231	2,183,035
Net assets		2,169,231	2,183,035
Equity			
Share capital	12	10,000	10,000
Retained earnings		2,159,231	2,173,035
Shareholders' equity		2,169,231	2,183,035

The financial statements on pages 7 to 21 were approved by the Board of Directors on 12 September 2019 and signed on its behalf by:



A Walker
Director

GlaxoSmithKline Holdings (Ireland) Limited
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Statement of changes in equity
for the year ended 31 December 2018

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 January 2017	10,000	2,183,378	2,193,378
Loss and total comprehensive loss for the year	-	(10,343)	(10,343)
At 31 December 2017	10,000	2,173,035	2,183,035
Loss and total comprehensive income for the year	-	(13,804)	(13,804)
At 31 December 2018	10,000	2,159,231	2,169,231

GlaxoSmithKline Holdings (Ireland) Limited
(Registered number: 09163001)

Notes to the financial statements for the year 31 December 2018

1 Presentation of financial statements

General information

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

The principal activity of the Company are to act as an investment holding company. The Directors do not envisage any change to the nature of the business in the foreseeable future.

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 in accordance with the Companies Act 2006.

The financial statements are presented in Pounds Sterling.

Disclosure exemptions adopted

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

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payments' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined);
- The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
- The requirements of paragraph 33(c) of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations;
- IFRS 7, 'Financial instruments: disclosures';
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - (i) paragraph 79(a) (iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 Property, plant and equipment;
 - (iii) paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period);
 - (iv) paragraph 76 and 79(d) of IAS 40 Investment property; and
 - (v) paragraph 50 of IAS 41 Agriculture.

GlaxoSmithKline Holdings (Ireland) Limited
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Notes to the financial statements for the year 31 December 2018

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d) (statement of cash flows),
 - 10(f) (a balance sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or make a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
 - 16 (statement of compliance with all IFRS),
 - 38A (requirements for minimum of two primary statements, including cash flow statements),
 - 38B-D (additional comparative information),
 - 40A-D (requirements for a third balance sheet),
 - 111 (cash flow statement information), and
 - 134 - 136 (capital management disclosures)
- IAS 7, 'Statement of cash flows';
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- Paragraph 17 and 18A of IAS 24, 'Related party disclosures' (key management compensation);
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more wholly owned members of a group; 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.

(b) Consolidation

The Company is a wholly owned subsidiary of the ultimate parent company and as such has taken advantage of the exemption from preparing group financial statements under section 400 of the Companies Act 2006. GlaxoSmithKline plc, a company registered in 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 Setfirst 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 Holdings (Ireland) Limited
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Notes to the financial statements for the year 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 or the income statement on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

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

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

Impairment of financial assets

IFRS 9 requires a Lifetime 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.

Lifetime ECLs are applied to all net trade receivables using the simplified approach, and 12-month ECL are applied to all other receivables using the general approach. No ECL allowance for trade receivables was recognised on transition to IFRS 9.

(d) Foreign currency transactions

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

(e) Expenditure

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

(f) Finance income

Finance income is recognised on an accruals basis using the effective interest method.

GlaxoSmithKline Holdings (Ireland) Limited
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Notes to the financial statements for the year 31 December 2018

2 Summary of significant accounting policies (continued)

(g) Financial assets

Financial assets are measured at amortised cost, fair value through profit or loss ('FVTPL'). The measurement basis is determined by reference to both the business model for managing the financial asset and the contractual cash flow characteristics of the financial asset.

(h) Impairment of financial assets

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

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

(i) Investment in subsidiary

Foreign currency investments in subsidiaries denominated in Euro are designated as a hedged item in a fair value hedge of the exposure to changes in foreign currency rates under IFRS 9 'Financial instruments'. The hedged items are re-measured for changes in foreign currency rates even if it would otherwise have been recognised using a historical rate under IAS 21 'The effects of changes in foreign exchange rates'. In these circumstances, the historical foreign currency cost of the foreign currency investment would be retranslated at each balance sheet date at the closing rate and the exchange difference arising on the retranslation will be recognised in income statement to offset the change in the fair value of the hedging instruments. These foreign currency investments in subsidiaries are held at retranslated cost less accumulated impairment.

(j) Impairment of non-current assets

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

(k) 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.

GlaxoSmithKline Holdings (Ireland) Limited
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Notes to the financial statements for the year 31 December 2018

2 Summary of significant accounting policies (continued)

(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. Long-term payables are discounted where the effect is material.

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

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

(o) Share Capital

Ordinary shares are classified as equity.

(p) Financial assets for periods up to and including 31 December 2017

Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, available-for-sale investments and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current investments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet.

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Notes to the financial statements for the year 31 December 2018

2 Summary of significant accounting policies (continued)

(p) Financial assets for periods up to and including 31 December 2017 (continued)

Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date, being the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investment have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within finance income or expense in the period in which they arise.

On disposal or impairment of the investments, any gains and losses that have been deferred in other comprehensive income are reclassified to the income statement. Dividends on equity investments are recognised in the statement of comprehensive income when the Company's right to receive payment is established.

Interest on available-for-sale investments calculated using the effective interest method is recognised in the statement of comprehensive income as part of finance income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income as part of other income when the Company's right to receive payment is established.

Purchases and sales of equity investments are accounted for on the trade date and purchases and sales of other available-for-sale investments are accounted for on settlement date.

(q) Impairment of financial assets for periods up to and including 31 December 2017

Assets carried at amortised cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measureable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

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2 Summary of significant accounting policies (continued)

(q) Impairment of financial assets for periods up to and including 31 December 2017

Assets carried at amortised cost (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

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

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

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

3 Critical accounting judgments and key sources of estimation uncertainty

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

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

(a) Impairment of investment in subsidiary

Investment in the subsidiary are held at cost less accumulated impairment losses. Annual impairment tests are carried out to ascertain if the carrying value of investment are impaired. These tests comprise a comparison between the carrying value of investment in subsidiary and the net asset value of the subsidiary. In some instances the future estimated profit or loss are considered or valuations of subsidiary are prepared. Valuations for impairment tests are based on established market multiples or risk-adjusted future cash flows over the estimated useful life of the asset, where limited, discounted using appropriate interest rates.

The assumptions relating to future cash flows, estimated useful lives and discount rates are based on business forecasts and are therefore inherently judgemental. Future events could cause the assumptions used in these impairment tests to change with a consequent adverse effect on the future results of the Company.

4 Operating profit

	2018 £'000	2017 £'000
The following items have been charged / (credited) in operating profit :		
Income from Group companies	-	(10)
Exchange losses on derivative financial instruments	52,503	-
Exchange gains on revaluation of investment in subsidiaries	(52,503)	-
Exchange gains	-	(247)
Management Fee	11	11
Audit fee	11	11
	22	(235)

GlaxoSmithKline Services Unlimited provides various services and facilities to the Company including finance and administrative services for which a management fee of £11,000 (2017: £11,000) is charged. A charge for auditor remuneration of £11,000 (2017: £11,000) is also recognised.

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Notes to the financial statements for the year 31 December 2018

5 Finance income

	2018 £'000	2017 £'000
On loans with Group undertakings	990	353
Unrealised gain on derivatives at fair value through profit or loss	1,410	-
Realised gain on derivatives at fair value through profit or loss	11,488	-
	13,888	353

6 Employees

All UK personnel are remunerated by GlaxoSmithKline Services Unlimited and receive no remuneration from the Company. A management fee is charged by GlaxoSmithKline Services Unlimited for services provided to the Company (see Note 4). The Company has no employees (2017: nil).

7 Taxation

	2018 £'000	2017 £'000
Income tax charge on profit		
Current tax:		
UK corporation tax	(17,006)	(10,382)
Adjustments in respect of previous years	(10,660)	(544)
Total current tax	(27,666)	(10,926)
Deferred tax:		
Origination and reversal of timing differences	(4)	(5)
Total deferred tax	(4)	(5)
Total tax charge for the year	(27,670)	(10,931)

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

	2018 £'000	2017 £'000
Reconciliation of total tax charge		
Profit on ordinary activities before tax	13,866	588
Profit on ordinary activities at the UK statutory rate 19.00% (2017: 19.25%)	(2,634)	(113)
Effects of:		
Subsidiary foreign tax charge	(14,376)	(10,274)
Adjustments to tax charge in respect of previous years	(10,660)	(544)
Total tax charge for the year	(27,670)	(10,931)

Factors that may affect future tax charges:

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

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Notes to the financial statements for the year 31 December 2018

7 Taxation (continued)

Movement in deferred tax assets and liabilities

	Other net temporary differences	Total
	£'000	£'000
At 1 January 2017	37	37
Charge to income statement	(5)	(5)
At 1 January 2018	32	32
Charge to income statement	(4)	(4)
At 31 December 2018	28	28
The net deferred tax asset comprises:		
	2018 £'000	2017 £'000
Deferred tax assets classified as non-current assets	28	32

8 Investments in subsidiary

	Subsidiary £'000
Cost	
At 1 January 2017 and 31 December 2017	2,182,803
Exchange revaluation for the year	52,503
At 31 December 2018	2,235,306
Accumulated impairment	
At 1 January 2017, 31 December 2017 and 31 December 2018	(213,000)
Carrying value at 1 January 2017 and 31 December 2017	1,969,803
Carrying value at 31 December 2018	2,022,306

Details of the subsidiary of the Company as at 31 December 2018 are given in Note 15. The Directors believe that the carrying value of the investments is supported by their forecast cash flows.

9 Trade and other receivables

	2018 £'000	2017 £'000
Amounts due within one year		
Amounts owed by Group undertakings	191,737	226,728
	191,737	226,728

Loans due from Group undertakings are unsecured, interest bearing and are repayable on demand. Loans are subject to an average interest rate range of LIBOR less 0.125% (2017: LIBOR less 0.125%). The corporation tax receivable contains amounts that were received from fellow Group companies.

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Notes to the financial statements for the year 31 December 2018

10 Trade and other payables

	2018 £'000	2017 £'000
Amounts falling due within one year		
Amounts owed to Group undertakings	13,600	3,094
Corporation tax	24,469	10,382
Other payables	74	52
	38,143	13,528

Amounts owed to Group undertakings are interest free, unsecured and are repayable on demand. The corporation tax payable contains amounts which will be paid to fellow Group companies.

11 Derivative financial instruments

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

	2018		2017	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Forward foreign exchange contract- Euro	-	6,697	-	-

Forward foreign exchange contracts

The notional principal amounts of the outstanding derivative instruments at 31 December 2018 were £2,260 million (2017: £nil).

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

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

12 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)	10,000,000	10,000,000	10,000	10,000
Deferred Share of £1 each (2017: £1 each)	1	1	-	-

The Deferred Share has no voting rights and no right to future dividends.

13 Directors' remuneration

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

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Notes to the financial statements for the year 31 December 2018

14 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 within the Group, or information around remuneration of key management personnel compensation.

15 Subsidiary

The subsidiary of the Company as at 31 December 2018 is as follows:

Company	Direct shares held (%)	Class of shares held	Address of the registered office
SmithKline Beecham (Cork) Limited	100%	Ordinary	12 Riverwalk Citywest Business Campus, Dublin, , 24, Ireland

16 Post balance sheet events

In 2019 after reaching a definite agreement the Group announced the divestment of the Cork manufacturing site owned by the Company's investment, SmithKline Beecham (Cork) Limited. The Directors do not expect the divestment to have a significant impact on the Company's financial position going forward.