

ViiV Healthcare Finance 2 Limited
(Registered number: 09847016)

Annual Report

for the year ended 31 December 2017

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Registered office address:

980 Great West Road
Brentford
Middlesex
TW8 9GS

ViiV Healthcare Finance 2 Limited

Annual Report

for the year ended 31 December 2017

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ViiV Healthcare Finance 2 Limited
(Registered number: 09847016)

Strategic report for the year ended 31 December 2017

The Directors present their Strategic report on ViiV Healthcare Finance 2 Limited (the "Company") for the year ended 31 December 2017.

Principal activities and future developments

The Company is a member of the ViiV Healthcare Group (the "Group").

The principal activities of the Company during the financial year is the provision of financial services to other entities within the Group, including investing in short-term securities to manage the liquidity requirements of Group undertakings.

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

Review of business

The Company made a profit for the financial year of \$38,485,000 (2016: \$31,610,000), which will be transferred to reserves. 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.

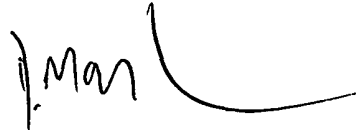
Principal risks and uncertainties

The principal risks and uncertainties, relevant to the Company, are managed at the Group 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 parent company, ViiV Healthcare Limited's, Annual Report and financial statements, which does not form part of this report.

Key performance indicators (KPIs)

The key performance indicators, relevant to the Company, are monitored at the Group level. 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 parent company, ViiV Healthcare Limited's, Annual Report and financial statements, which does not form part of this report.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'D Marsh', with a long horizontal flourish extending to the right.

Mr D Marsh
Director
25 April 2018

ViiV Healthcare Finance 2 Limited
(Registered number: 09847016)

Directors' report for the year ended 31 December 2017

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2017.

Results and dividend

The Company's results for the financial year are shown in the income statement on page 7.

No dividend is proposed to the holders of ordinary shares in respect of the year ended 31 December 2017.

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:

Ms J Brown	(appointed 19 January 2017)
Mr M Cid	(appointed 31 March 2017)
Mr D Marsh	
Mr G Reinaud	(resigned 31 March 2017)

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 employees of the Group benefits from an indemnity given by a Group undertaking, ViiV Healthcare 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 engagement in the business of the Company.

Political donations

The Company made no political donations during the year (2016: \$nil).

Statement of Directors' responsibilities

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards, comprising FRS 101, have been followed, subject to any 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.

ViiV Healthcare Finance 2 Limited
(Registered number: 09847016)

Directors' report for the year ended 31 December 2017

Statement of Directors' responsibilities (continued)

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; and
- principal risks and uncertainties.

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 its approach to the Modern Slavery Act 2015 and has confirmed that the approach is still valid for 2017.

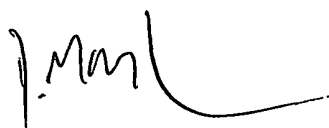
Disclosure of information to auditors

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 auditors

Following the signing of these accounts, and following the resignation of PricewaterhouseCoopers LLP, Deloitte LLP will be appointed by a board resolution as auditor of the Company for the year ended 31 December 2018.

On behalf of the Board



Mr D Marsh
Director
25 April 2018

ViiV Healthcare Finance 2 Limited
(Registered number: 09847016)

Independent auditors' report to the members of ViiV Healthcare Finance 2 Limited

Report on the audit of the financial statements

Opinion

In our opinion, ViiV Healthcare Finance 2 Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 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 prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the balance sheet as at 31 December 2017; the income statement, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

ViiV Healthcare Finance 2 Limited
(Registered number: 09847016)

Independent auditors' report to the members of ViiV Healthcare Finance 2 Limited

Reporting on 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic report and Directors' report

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 year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities set out on pages 2 and 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

ViiV Healthcare Finance 2 Limited
(Registered number: 9847016)

Independent auditors' report to the members of ViiV Healthcare Finance 2 Limited

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

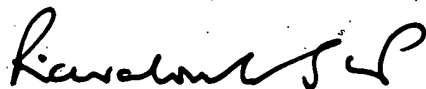
Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Other matter

The Company has passed a resolution in accordance with section 506 of the Companies Act 2006 that the senior statutory auditor's name should not be stated.



PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
25 April 2018

ViiV Healthcare Finance 2 Limited

**Income statement
for the year ended 31 December 2017**

			For the period from 28 October 2015 to 31 December 2016
	Note	2017 \$'000	\$'000
Administrative expenses		(1)	(5)
Finance income	8	48,689	40,518
Finance expense	9	(1,029)	(1,001)
Operating profit	7	47,659	39,512
Profit before taxation		47,659	39,512
Taxation	10	(9,174)	(7,902)
Profit for the financial year / period		38,485	31,610

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

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

The notes on pages 10 to 17 are an integral part of these financial statements.

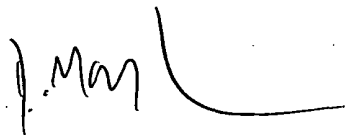
ViiV Healthcare Finance 2 Limited

Balance sheet as at 31 December 2017

	Note	2017 \$'000	2016 \$'000
Non-current assets			
Loans and other receivables	11	1,100,000	1,100,000
Total non-current assets		1,100,000	1,100,000
Current assets			
Loans and other receivables	11	2,100	11,770
Prepayments and accrued income	12	72	107
Cash and cash equivalents		84,999	167,633
Total current assets		87,171	179,510
Total assets		1,187,171	1,279,510
Current liabilities			
Loans and other payables	13	(17,076)	(136,158)
Short-term borrowings	14	-	(11,742)
Total current liabilities		(17,076)	(147,900)
Net current assets		70,095	31,610
Total assets less current liabilities		1,170,095	1,131,610
Net assets		1,170,095	1,131,610
Equity			
Share capital	16	-	-
Share premium	16	1,100,000	1,100,000
Retained earnings		70,095	31,610
Shareholders' equity		1,170,095	1,131,610

The notes on pages 10 to 17 are an integral part of these financial statements.

The financial statements on pages 7 to 17 were approved by the Board of Directors on 25 April 2018 and signed on its behalf by:



Mr D Marsh
Director

ViiV Healthcare Finance 2 Limited

**Statement of changes in equity
for the year ended 31 December 2017**

	Note	Share capital \$'000	Share premium \$'000	Retained earnings \$'000	Shareholders' equity \$'000
At 28 October 2015		-	-	-	-
Ordinary shares issued	16	-	1,100,000	-	1,100,000
Profit for the period		-	-	31,610	31,610
At 31 December 2016		-	1,100,000	31,610	1,131,610
Profit for the year		-	-	38,485	38,485
At 31 December 2017		-	1,100,000	70,095	1,170,095

The notes on pages 10 to 17 are an integral part of these financial statements.

ViiV Healthcare Finance 2 Limited

Notes to the financial statements for the year ended 31 December 2017

1 Presentation of the financial statements

General information

The principal activity of ViiV Healthcare Finance 2 Limited (the "Company") is the provision of financial services to other companies within the ViiV Healthcare Group (the "Group"), including investing in short-term securities in order to manage the liquidity requirements of Group undertakings.

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

2 Summary of significant accounting policies

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

(a) Basis of preparation

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

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

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:

- Paragraph 38 of IAS 1 "Presentation of financial statements" comparative information requirements in respect of:
 - paragraph 79(a) (iv) of IAS 1;
- The following paragraphs of IAS 1 "Presentation of financial statements":
 - 10(d) (statement of cash flows);
 - 16 (statement of compliance with all IFRS);
 - 38A (requirements for minimum of two primary statements, including cash flow statements);
 - 111 (cash flow statement information)
- 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 of IAS 24 "Related party disclosures" (key management compensation); and
- The requirements in IAS 24 "Related party disclosures" to disclose related party transactions entered into between two members of a group.

The consolidated 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) Ultimate and immediate parent undertaking

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

ViiV Healthcare Finance 2 Limited

Notes to the financial statements for the year ended 31 December 2017

2 Summary of significant accounting policies (continued)

(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 US dollars.

(d) Finance income and expense

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

(e) Financial assets

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 represent intercompany balances with other Group undertakings, which are carried at amortised cost using the effective interest method.

(f) 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.

(g) Other payables

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.

(h) 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.

3 Key accounting judgements and estimates

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

(a) Impairment of financial assets

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 income statement. If a loan 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.

ViiV Healthcare Finance 2 Limited

Notes to the financial statements for the year ended 31 December 2017

3 Key accounting judgements and estimates

(a) Impairment of financial assets (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 income statement.

4 Financial risk management

GlaxoSmithKline plc's Corporate Treasury is employed as a service provider under policies and procedures approved by the GlaxoSmithKline plc's Board of Directors to manage and monitor the Group's external and internal funding requirements and financial risks, covering foreign exchange, interest rate, liquidity, and credit risks, in support of the Group's strategic objectives.

A Treasury meeting, chaired by the ViiV Healthcare Limited's Chief Financial Officer, takes place on a monthly basis to review Treasury activities and its members receive management information relating to Treasury activities.

(a) Market risk

(i) Foreign exchange risk

Foreign currency exposures arise from the translation of financial assets and liabilities which are not held in the functional currency of the Company.

The functional and presentation currency of the Company is US dollars. There were no financial assets or liabilities that were not held in the functional currency of the Company. On this basis, foreign exchange risk is not considered material and the Company has not prepared a sensitivity analysis.

(ii) Interest rate risk

The Company earns interest income on its cash and cash equivalents and intercompany balances and pays interest on intercompany deposits placed with the Company. All interest earned and paid on these is on a floating rate basis. In addition, the Company has long-term intercompany balances that are on fixed rates and expose the Company to fair value interest rate risks.

The table below hypothetically shows the Company's sensitivity to changes in interest rates in relation to US dollar floating rate financial assets and liabilities. If interest rates applicable to floating rate financial assets and liabilities were to have increased by 1% (100 basis points), and assuming other variables remained constant, it is estimated that the Company's finance income would increase by approximately \$871,000 (2016: \$276,000). A 1% (100 basis points) movement in interest rates is not deemed to have a material effect on equity.

Income statement impact of interest rate movements

	2017 Increase in income \$'000	For the period from 28 October 2015 to 31 December 2016 Increase in income \$'000
1% (100 basis points) increase in US dollar interest rates	871	276

(b) Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and arises from cash and cash equivalents, deposits placed with banks and financial institutions and amounts owed by Group undertakings. GlaxoSmithKline plc sets global counterparty limits for each of its banking and investment counterparties based on long-term credit ratings from Standard and Poor's and Moody's Investor Services ("Moody's"). GlaxoSmithKline plc's Corporate Treasury actively manages its exposure to credit risk, reducing surplus cash balances wherever possible. The Group's usage of these limits is monitored daily by GlaxoSmithKline plc's Corporate Compliance Officer who operates independently from GlaxoSmithKline plc's Corporate Treasury.

ViiV Healthcare Finance 2 Limited

Notes to the financial statements for the year ended 31 December 2017

4 Financial risk management (continued)

(b) Credit risk (continued)

The Company considers its maximum exposure to credit risk at 31 December 2017, without taking into account any collateral held or other credit enhancements, to be \$1,187,171,000 (2016: \$1,279,510,000) which is the total of the Company's financial assets. This represents \$84,999,000 (2016: \$167,633,000) of cash and cash equivalents, \$72,000 (2016: \$107,000) of accrued income and amounts owed by Group undertakings of \$1,102,100,000 (\$1,111,770,000).

The Company has maintained a conservative approach to counterparty risk throughout the year. The aggregate credit risk in respect of financial assets that the Company may have with one counterparty is limited by reference to the long-term credit ratings assigned for that counterparty by Standard and Poor's and Moody's. The table below sets out the exposure by credit rating category for financial assets held by the Company.

	AAA/Aaa \$'000	AA- \$'000	Unrated \$'000	Total \$'000
2017				
Bank balances	-	59	-	59
Liquidity funds	85,012	-	-	85,012
Amounts owed by Group undertakings	-	-	1,102,100	1,102,100
Total	85,012	59	1,102,100	1,187,171
	AAA/Aaa \$'000	AA- \$'000	Unrated \$'000	Total \$'000
2016				
Liquidity funds	167,740	-	-	167,740
Amounts owed by Group undertakings	-	-	1,111,770	1,111,770
Total	167,740	-	1,111,770	1,279,510

The credit ratings in the above tables are as assigned by Standard and Poor's and Moody's respectively. Where the opinion of the two rating agencies differs, the lower rating of the two is assigned to the counterparty.

The Company's greatest concentration of credit risk is \$1,102,100,000 (2016: \$1,111,770,000) with ViiV Healthcare Company (unrated).

There are no financial assets that are past due or impaired as at 31 December 2017.

The Company did not hold any collateral as security or obtained other credit enhancements as at 31 December 2017.

(c) Liquidity risk

The Group benefits from strong positive cash flow from operating units and has substantial cash and cash equivalents which are managed by the Company.

5 Capital management

The Group manages its capital to ensure that entities in the Group are able to operate as going concerns whilst availing themselves of intercompany funding where appropriate.

The capital structure of the Company consists wholly of shareholders' funds of \$1,170,095,000 (2016: \$1,131,610,000) (see Statement of changes in equity).

6 Employees

The Company has no employees. All personnel are remunerated by other GlaxoSmithKline group companies and receive no remuneration from the Company. A management fee has not been charged by GlaxoSmithKline Services Unlimited for services provided to the Company.

ViiV Healthcare Finance 2 Limited

Notes to the financial statements for the year ended 31 December 2017

7 Operating profit

	2017	For the period from 28 October 2015 to 31 December 2016
	\$'000	\$'000

The following items have been charged in operating profit:

Bank charges	(1)	(5)
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The auditors' remuneration of £4,500 (2016: £4,500) has been borne by other Group companies and is not recharged.

8 Finance income

	2017	For the period from 28 October 2015 to 31 December 2016
	\$'000	\$'000
Interest income arising from:		
Cash and cash equivalents	1,991	988
Loans with Group undertakings	46,698	39,530
Total finance income	48,689	40,518

9 Finance expense

	2017	For the period from 28 October 2015 to 31 December 2016
	\$'000	\$'000
Interest expense arising on:		
Bank borrowings	(5)	-
Loans with Group undertakings	(1,024)	(1,001)
Total finance expense	(1,029)	(1,001)

10 Taxation

	2017	For the period from 28 October 2015 to 31 December 2016
	\$'000	\$'000
Income tax expense on profit		
Current tax:		
UK corporation tax at 19.25% (2016: 20.00%)	(9,174)	(7,902)
Total current tax	(9,174)	(7,902)

There are no items required to reconcile the profit on ordinary activities before taxation at the statutory rate of 19.25% (2016: 20.00%) to the current taxation charge.

Factors that may affect future tax charges:

The UK tax rate for the year ended 31 December 2017 is 19.25%. A further reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was enacted as part of the Finance Act 2016 on 15 September 2016. This will reduce the Company's future tax charge accordingly.

ViiV Healthcare Finance 2 Limited

Notes to the financial statements for the year ended 31 December 2017

11 Loans and other receivables

	2017 \$'000	2016 \$'000
Amounts due within one year		
Amounts owed by Group undertakings	2,100	11,770
	2,100	11,770
Amounts due after more than one year		
Amounts owed by Group undertakings	1,100,000	1,100,000
	1,100,000	1,100,000
	1,102,100	1,111,770

Amounts due within one year are balances with Group undertakings, which are unsecured, repayable on demand and earn a market rate of interest (based on LIBOR plus 0.25%) that is consistent with the Group's policy.

The amounts due after more than one year are unsecured loans to ViiV Healthcare Company, earning fixed interest between 4.16% and 4.35% per annum and are repayable between 2023 and 2026.

12 Prepayments and accrued income

	2017 \$'000	2016 \$'000
Amounts due within one year	72	107

Amounts due within one year relate to accrued interest from investments in liquidity funds.

13 Loans and other payables

	2017 \$'000	2016 \$'000
Amounts falling due within one year		
Amounts owed to Group undertakings	-	(128,256)
Corporation tax	(17,076)	(7,902)
	(17,076)	(136,158)

There are no amounts owed to Group undertakings as at 31 December 2017 (2016: amounts owed to Group undertakings are with ViiV Healthcare Company for \$128,256,000 which are unsecured with interest charged at 0.72% per annum and repayable on demand).

The corporation tax creditor contains amounts which will be paid to fellow Group companies under Group relief.

14 Short-term borrowings

	2017 \$'000	2016 \$'000
Amounts falling due within one year		
Bank overdraft	-	(11,742)

ViiV Healthcare Finance 2 Limited

Notes to the financial statements for the year ended 31 December 2017

15 Financial instruments

(a) Fair value of financial assets and liabilities

The fair values of the financial assets and liabilities are included at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following methods and assumptions were used to estimate the fair values:

- Cash and cash equivalents – approximates to the carrying amount;
- Receivables and payables – approximates to the carrying amount; and
- Short-term borrowings – approximates to the carrying amount because of the short maturity of these instruments.
- Long-term loans with Group undertakings - based on market sourced data (interest rates) at the balance sheet date.

The carrying amounts and the fair values of the Company's financial assets and liabilities at 31 December 2017 are illustrated below.

	2017		2016	
	Carrying value \$'000	Fair value \$'000	Carrying value \$'000	Fair value \$'000
Cash and cash equivalents	84,999	84,999	167,633	167,633
Loans and receivables:				
Amounts owed by Group undertakings - loans due within one year	2,100	2,100	11,770	11,770
Amounts owed by Group undertakings - loans due after more than one year	1,100,000	1,050,992	1,100,000	1,051,760
Prepayments and accrued income	72	72	107	107
Total financial assets	1,187,171	1,138,163	1,279,510	1,231,270
Short-term borrowings	-	-	(11,742)	(11,742)
Amounts owed to Group undertakings	-	-	(128,256)	(128,256)
Total financial liabilities	-	-	(139,998)	(139,998)
Net financial assets	1,187,171	1,138,163	1,139,512	1,091,272

(b) Financial instruments held at fair value

At 31 December 2017, the Company had no financial assets and liabilities that were carried at fair value.

(c) Contractual cash flows for non-derivative financial liabilities

The following table provides an analysis of the anticipated contractual cash flows including interest payable for the Company's non-derivative financial liabilities on an undiscounted basis.

	2017		2016	
	Debt \$'000	Interest on debt \$'000	Debt \$'000	Interest on debt \$'000
Due in less than one year	-	-	(139,998)	(3)
Gross contractual cash flows	-	-	(139,998)	(3)

As at 31 December 2017, the Company had no interest bearing non-derivative financial liabilities (2016: \$139,998,000).

ViiV Healthcare Finance 2 Limited

Notes to the financial statements for the year ended 31 December 2017

16 Share capital

	2017		2016	
	Number of		Number of	
	shares	\$'000	shares	\$'000
Issued and fully paid				
Ordinary Shares of \$1.00 each	2	-	2	-

On 28 October 2015, the Company allotted one ordinary share with a nominal value of \$1.00. The consideration for the allotment was \$1.00. On 26 February 2016, the Company allotted one ordinary share with a nominal value of \$1.00. The consideration for the allotment was fixed rate loan notes totalling \$1,100,000,000 receivable from ViiV Healthcare Company (see Note 11).

17 Directors' remuneration

During the year, the Directors of the Company were remunerated as executives of the Group. They received no remuneration in respect of their services to the Company (2016: £nil).