

ViiV Healthcare UK (No.4) Limited
(Registered number: 09921735)

Annual Report

for the year ended 31 December 2021



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

ViiV Healthcare UK (No.4) Limited
(Registered number: 09921735)

Annual Report

for the year ended 31 December 2021

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ViiV Healthcare UK (No.4) Limited
(Registered number: 09921735)

Strategic report for the year ended 31 December 2021

The Directors present their Strategic report on ViiV Healthcare UK (No 4) Limited (the "Company") for the year ended 31 December 2021.

Principal activities and future developments

The Company is a wholly owned subsidiary of the ViiV Healthcare Group (the "Group") of which 78.3% is owned by GlaxoSmithKline Mercury Limited, a member of the GSK Group of companies (the "GSK Group"). The Company is a private company limited by shares and is incorporated and domiciled in the UK (England). The address of the registered office is 980 Great West Road, Brentford, Middlesex, TW8 9GS, England.

The principal activities of the Company are the development, enhancement, maintenance, protection and exploitation of intellectual property assets owned by the Company which may include but is not limited to, licensing out intellectual property rights relating to pharmaceutical products to the ViiV Healthcare Group of companies and carrying out research and development activities.

The Directors of the Company manage the functions, assets and risks related to the intellectual property assets owned by the Company on a business sector, therapy area and stage of product life cycle basis. The principal functions, risks and uncertainties related to the development, enhancement, maintenance, protection and exploitation of intellectual property assets owned by 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. Please refer to the ViiV Healthcare Limited's 2021 annual report and financial statements, which does not form part of this report, to ensure a complete understanding of the principal risks and uncertainties of the Group, and therefore the 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 £42,454,000 (2020: loss of £135,080,000). A significant impairment had been booked in 2020 in relation to pipeline asset MI254, which represented a heavy one-off expense of £102m that wasn't replicated in 2021. Furthermore, Rukobia began generating IP Profit in 2021 following its launch and R&D expense was reduced following the Rukobia launch and the impairment of MI254. The Directors are of the opinion that the portfolio will become increasingly profitable in the future and that the current level of activity is sustainable, and will improve in the future. Additionally, the Directors have received confirmation that ViiV Healthcare Limited intends to support the Company for at least one year after these financial statements are signed.

Principal risks and uncertainties

The Directors of the Company manage the functions, assets and risks related to the intellectual property assets owned by the Company on a business sector, therapy area and stage of product life cycle basis. The principal functions, risks and uncertainties related to the development, enhancement, maintenance, protection and exploitation of intellectual property assets owned by 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. Please refer to the ViiV Healthcare Limited's 2021 annual report and financial statements, which does not form part of this report, to ensure a complete understanding of the principal risks and uncertainties of the Group, and therefore the Company.

ViiV Healthcare UK (No.4) Limited
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Strategic report for the year ended 31 December 2021 (continued)

Key performance indicators (KPIs)

The Directors of the Company manage the functions, assets and risks related to the intellectual property assets owned by the Company on a business sector, therapy area and stage of product life cycle basis. Therefore, 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 ViiV Healthcare Limited's 2021 annual report which does not form part of this report.

Risks associated with COVID-19

The potential impact of the COVID-19 pandemic on the Group's performance and its principal risks has been assessed with mitigation plans put in place. Further disclosures detailing how, during the year, the COVID-19 pandemic has impacted the GSK Group can be found on page 54 of the consolidated financial statements of the GSK Group. Copies of the consolidated financial statements can be obtained from the Company Secretary, GSK plc, 980 Great West Road, Brentford, Middlesex, TW8 9GS.

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.

Further disclosures detailing how, during the year, the Directors addressed the matters set out in Section 172(1) (a) to (f) of the Companies Act, can be found in the consolidated financial statements of the Group, of which the Company is a member and no additional considerations are deemed necessary for the Company as the relevant matters are all considered in the GSK Group accounts. Copies of the consolidated financial statements can be obtained from the Company Secretary, GSK plc, 980 Great West Road, Brentford, Middlesex, TW8 9GS.

On behalf of the Board



J Anderson
Director
30 June 2022

ViiV Healthcare UK (No.4) Limited
(Registered number: 09921735)

Directors' report for the year ended 31 December 2021

The Directors present their report on the Company and the audited financial statements of the Company for the year ended 31 December 2021.

Results and dividends

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

No dividend is proposed to the holders of ordinary shares in respect of the year ended 31 December 2021 (2020: £nil).

Research and Development

The Company is responsible for instigating research and development ("R&D") activities, which are carried out by other Group undertakings. The expenses from these activities include amounts re-charged from other Group undertakings.

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:

K Grainger
D Waterhouse
J Anderson
C MacDiarmid

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 engagement in the business of the Company.

Statement of Directors' responsibilities

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

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

ViiV Healthcare UK (No.4) Limited
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Directors' report for the year ended 31 December 2021 (continued)

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 pages 1 and 2:

- principal activities and future developments;
- review of business;
- principal risks and uncertainties;
- key performance indicators (KPIs);
- risks associated with COVID-19; and
- section 172 Companies Act 2006 statement.

Stakeholder engagement

The Company aims to build enduring relationships with all its stakeholders 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.

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 stakeholders on a range of issues that are relevant to its business and relating to regulatory compliance matters.

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 as a Director 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.

ViiV Healthcare UK (No.4) Limited
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Directors' report for the year ended 31 December 2021 (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 the potential risks to demand and operational risks to supply throughout trade routes. The Directors have taken into account that as part of the Group, the Company has already received the necessary letter of support from immediate parent company ViiV Healthcare Limited (which covers at least twelve months from the date of signing these financial statements) and can take actions to ensure business continuity through operational channels, as well as the ability to manage variable costs. On the basis of those considerations, the Directors believe that it remains appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Independent auditor

The auditor, Deloitte LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006

On behalf of the Board



Jill Anderson
Director
30 June 2022

ViiV Healthcare UK (No.4) Limited
(Registered number: 09921735)

Independent auditor's report to the members of ViiV Healthcare UK (No.4) Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of ViiV Healthcare UK (No. 4) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at December 31, 2021 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 15, including a summary of significant accounting policies as set out in note 2.

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" (United Kingdom Generally Accepted Accounting Practice).

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

ViiV Healthcare UK (No.4) Limited
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Independent auditor's report to the members of ViiV Healthcare UK (No.4) Limited (continued)

Other information (continued)

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

Responsibilities of the directors

As explained more fully in the Statement of Directors' Responsibilities, 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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

ViiV Healthcare UK (No.4) Limited
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Independent auditor's report to the members of ViiV Healthcare UK (No.4) Limited (continued)

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- Had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- Do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included General Data Protection requirements, Anti-bribery and corruption policy and the Foreign Corrupt Practices Act.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- the directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a strategic report;
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

ViiV Healthcare UK (No.4) Limited
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Independent auditor's report to the members of ViiV Healthcare UK (No.4) Limited (continued)

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
1st July 2022

ViiV Healthcare UK (No.4) Limited
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Statement of comprehensive income
for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Turnover	4	17,380	-
Administrative expenses		(5)	(11,844)
Research and development expenditure		(37,696)	(42,392)
Other operating expense		(27,874)	(111,608)
Operating loss	5	(48,195)	(165,844)
Loss before interest and taxation		(48,195)	(165,844)
Finance expense	7	(869)	(921)
Loss before taxation		(49,064)	(166,765)
Taxation	8	6,610	31,685
Loss for the year		(42,454)	(135,080)

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.

ViiV Healthcare UK (No.4) Limited
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Balance sheet
as at 31 December 2021

	Notes	2021 £'000	2020 £'000
Non-current assets			
Intangible assets	9	210,306	203,271
Total non-current assets		210,306	203,271
Current assets			
Trade and other receivables	10	33,373	14,597
Corporation tax		48,539	72,373
Cash and cash equivalents		-	1
Total current assets		81,912	86,971
Total assets		292,218	290,242
Current liabilities			
Trade and other payables	11	(360,367)	(320,726)
Net current liabilities		(278,455)	(233,755)
Total assets less current liabilities		(68,149)	(30,484)
Non-current liabilities			
Deferred tax liabilities	8	(11,809)	(7,020)
Total liabilities		(372,176)	(327,746)
Net liabilities		(79,958)	(37,504)
Equity			
Share capital	12	-	-
Share premium		346,900	346,900
Accumulated losses		(426,858)	(384,404)
Shareholder's deficit		(79,958)	(37,504)

The financial statements on pages 10 to 22 were approved by Board of Directors on 30 June 2022 and signed on its behalf by:


Jill Anderson
Director

ViiV Healthcare UK (No.4) Limited
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Statement of changes in equity
for the year ended 31 December 2021

	Share capital £'000	Share premium £'000	Accumulated losses £'000	Total £'000
At 1 January 2020	-	346,900	(249,324)	97,576
Loss for the year	-	-	(135,080)	(135,080)
At 31 December 2020	-	346,900	(384,404)	(37,504)
Loss for the year	-	-	(42,454)	(42,454)
At 31 December 2021	-	346,900	(426,858)	(79,958)

ViiV Healthcare UK (No.4) Limited
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Notes to the financial statements for the year ended 31 December 2021

1 Presentation of the financial statements

General information

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

The Directors of the Company manage the functions, assets and risks related to the intellectual property assets owned by the Company on a business sector, therapy area and stage of product life cycle basis. The principal functions, risks and uncertainties related to the development, enhancement, maintenance, protection and exploitation of intellectual property assets owned by 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. Please refer to the ViiV Healthcare Limited's 2021 annual report and financial statements, which does not form part of this report, to ensure a complete understanding of the principal risks and uncertainties of the Group, and therefore the Company.

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").

The Company has received a letter of support from ViiV Healthcare Limited which confirms its intention to provide financial support for at least twelve months from the date of signing off the financial statements. As a result of continued financial support, the Directors of the Company are satisfied that the going concern basis remains appropriate.

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

The financial statements are presented in Pounds Sterling.

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 the potential risks to demand and operational risks to supply throughout trade routes. The Directors have taken into account that as part of the Group, the Company has already received the necessary letter of support from immediate parent company ViiV Healthcare Limited (which covers at least twelve months from the date of signing these financial statements) 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.

ViiV Healthcare UK (No.4) Limited
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Notes to the financial statements for the year ended 31 December 2021

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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';
- 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'.

ViiV Healthcare UK (No.4) Limited
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Notes to the financial statements for the year ended 31 December 2021

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Disclosure exemptions adopted (continued)

The financial statements of GSK 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. GSK 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 GSK plc. Copies of the consolidated financial statements can be obtained from the Company Secretary, GSK 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 statement of comprehensive income. The functional and presentation currency of the Company is Pounds Sterling.

(d) Turnover

The Company recognises turnover on the residual amount after accounting for all external income and expenses and inter-company expenses related to the supply and management of the HIV products for which it owns the intellectual property rights, and license income from other Group undertakings and third parties. The Company has authorised the supply and management of the HIV products to other Group companies which act as principal in the overall process. The residual return is therefore recognised on a net basis. If the residual amount is an income, it is recorded in turnover. If the residual amount is a loss, it is recorded in cost of sales.

Turnover is recognised overtime as the supply and management of the HIV products is being performed, when the performance obligations are being fulfilled.

(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.

ViiV Healthcare UK (No.4) Limited
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Notes to the financial statements for the year ended 31 December 2021

2 Summary of significant accounting policies (continued)

(f) Research and development

Research and development expenditure is charged to the statement of comprehensive income in the year in which it is incurred. Development expenditure is capitalised when the criteria for recognising an asset are met, usually when a regulatory filing has been made in a major market and approval is considered highly probable. Property, plant and equipment used for research and development are capitalised and depreciated in accordance with the Company's policy.

(g) Royalty expenses

The Company enters into development and marketing collaborations and out-licenses of the Company's compounds or products to other parties. 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 expenses are recognized in Other operating expenses.

(h) Finance expense

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

(i) Intangible assets

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

Licences and patent rights separately acquired are amortised over their estimated useful lives, generally not exceeding 20 years, using the straight-line basis, from the time they are available for use. The estimated useful lives for determining the amortisation charge take into account patent lives, where applicable, as well as the value obtained from periods of non-exclusivity. Asset lives are reviewed, and where appropriate adjusted, annually. Any development costs incurred by the Company and associated with acquired licences, patents rights, are written off to the statement of comprehensive income when incurred, unless the criteria for recognition of an internally generated intangible asset are met, usually when a regulatory filing has been made in a major market and approval is considered highly probable.

(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.

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Notes to the financial statements for the year ended 31 December 2021

2 Summary of significant accounting policies (continued)

(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 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 Company 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.

(l) 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.

(m) 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.

(n) 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.

(o) Share capital

Ordinary shares are classified as equity.

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Notes to the financial statements for the year ended 31 December 2021

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 are considered to be the critical accounting judgements and key sources of estimation uncertainty made.

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

(a) Turnover

Turnover from IP owning activities

The turnover recognised in the Company is the residual amount after accounting for all external income and expenses and inter-company expenses related to the supply of and management of the pharmaceutical product for which it owns the intellectual property rights.

Estimates are used by Group companies in accruing the rebates, discounts, allowances and product returns given or expected to be given by various product arrangements or buying groups as part of the overall supply and management of products, which then impacts the residual returns or losses recognised in the Company.

Such estimates are reviewed and adjusted regularly in the light of contractual and legal obligations, historical trends, past experience and projected market conditions. Future events could cause the assumptions on which the accruals are based to change, which could affect the future results of the Company.

(b) Intangible asset impairments and useful lives

Impairment tests on intangible assets are undertaken if events occur which call into question the carrying values of the assets. Where brands and other intangible assets which are not yet available for use are not amortised, they are subject to annual impairment tests. 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.

Licences, patents, know-how, marketing rights separately acquired and internally developed intellectual property rights that are available for use are amortised over their estimated useful lives generally not exceeding 20 years, using the straight-line basis, from the time they are available for use. The estimated useful lives for determining the amortisation charge are reviewed annually, and take into account patent lives, where applicable, as well as the value obtained from periods of non-exclusivity. Asset lives are reviewed, and where appropriate adjusted, annually.

4 Turnover

During the years ended 31 December 2021 and 2020, the Company operated in one geographical segment, the United Kingdom, and one class of business, being the licensing to other Group companies and the sale of HIV products to third parties.

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Notes to the financial statements for the year ended 31 December 2021

5 Operating loss

	2021 £'000	2020 £'000
The following items have been charged in operating loss:		
Impairment of intangible assets	-	101,944
Research and development expenditure	37,696	42,392
Amortisation of intangible assets	20,421	8,044
Audit fees	6	5

6 Employees

The Company has no employees. All personnel are remunerated by ViiV Healthcare UK Limited and receive no remuneration from the Company (2020: nil).

7 Finance expense

	2021 £'000	2020 £'000
On loans with Group undertakings	(869)	(921)

8 Taxation

	2021 £'000	2020 £'000
Income tax credit on loss		
Current tax:		
UK corporation tax at 19.00% (2020: 19.00%)	(11,399)	(36,821)
Adjustments in respect of previous years	-	(1,884)
Total current tax	(11,399)	(38,705)
Deferred tax:		
Origination and reversal of timing differences	2,572	5,059
Adjustments in respect of previous years	-	1,754
Effect of tax rate change on opening balance	2,217	207
Total deferred tax	4,789	7,020
Total tax credit for the year	(6,610)	(31,685)

The tax assessed for the year is lower (2020: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2021 of 19% (2020: 19%). The differences are explained below:

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Notes to the financial statements for the year ended 31 December 2021

8 Taxation (continued)

	2021	2020
	£'000	£'000
Reconciliation of total tax credit		
Loss for the year before tax	(49,064)	(166,765)
Tax on ordinary activities at the UK statutory rate 19% (2020: 19%)	(9,322)	(31,685)
Effects of:		
Remeasurement of deferred tax for changes in tax rates	2,834	206
Adjustments to tax charge in respect of previous years	-	(1,884)
Adjustments to tax charge in respect of previous years - deferred tax	-	1,754
R&D tax credits	(122)	(76)
Total tax credit for the year	(6,610)	(31,685)

Factors that may affect future tax rates:

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will impact the company's future current tax charge accordingly. The deferred tax liability at 31 December 2021 has been calculated based on these rates, reflecting the expected timing of reversal of the related temporary differences (2020: 19%).

Movement in deferred tax liabilities

	Accelerated capital allowances £'000
At 1 January 2021	7,020
Credit to statement of comprehensive income	4,789
At 31 December 2021	11,809

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

	2021	2020
	£'000	£'000
Deferred tax liabilities classified as non-current liabilities	11,809	7,020

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Notes to the financial statements for the year ended 31 December 2021

9 Intangible assets

	Licences, patents, etc. £'000
Cost	
At 1 January 2021	313,259
Additions	7,255
Capitalised development costs	20,201
At 31 December 2021	340,715
Accumulated amortisation	
At 1 January 2021	(8,044)
Charge for the year	(20,421)
At 31 December 2021	(28,465)
Accumulated impairment	
At 1 January 2021	(101,944)
Charge for the year	-
At 31 December 2021	(101,944)
Total amortisation and impairment at 31 December 2021	(130,409)
Net book value at 1 January 2021	203,271
Net book value at 31 December 2021	210,306

Intangible assets represent Fostemsavir and Maturation inhibitor. The current year additions of £7,255,000 and capitalised development costs of £20,201,000 relate to Fostemsavir.

During the previous year, the maturation inhibitor (MI 254) asset progressed into phase 2b with an updated forecast that reflects the unique mode of action, unmet medical need and the opportunity to accelerate the maturation inhibitor class. This led to an impairment charge of £101,944,000. Intangible asset amortisation and impairments are recorded within other operating expenses in the statement of comprehensive income.

10 Trade and other receivables

	2021 £'000	2020 £'000
Amounts due within one year		
Amounts owed by Group undertakings	33,373	14,597

The amounts owed by Group undertakings are unsecured, interest free and are repayable on demand.

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Notes to the financial statements for the year ended 31 December 2021

11 Trade and other payables

	2021	2020
	£'000	£'000
Amounts falling due within one year		
Amounts owed to Group undertakings	357,967	319,477
Other payables	2,400	1,249
	360,367	320,726

Amounts owed to Group undertakings are unsecured, interest free and repayable on demand, except for a call account balance with ViiV Healthcare Finance Limited of £350,317,000 (2020: £312,302,000) which is unsecured and repayable on demand with interest paid at LIBOR rate plus 0.25% per annum up to 1 November 2021. From 1 November 2021, the interest rate changed to SONIA rate plus 0.1% per annum (2020: LIBOR rate plus 0.25% per annum).

12 Share capital

	2021	2020		
	Number of	Number of	2021	2020
	shares	shares	£'000	£'000
Issued and fully paid				
Ordinary Shares of £1 each (2020: £1 each)	201	201	-	-

13 Contingent liabilities

Group banking arrangement

The Company, together with fellow Group undertakings has entered into a Group banking arrangement with the Company's principal bank. The bank holds the right to pay and apply funds from any account of the Company to settle any indebtedness to the bank of any other party to this agreement. The Company's maximum potential liability as at 31 December 2021 is limited to the amount held on its accounts with the bank. No loss is expected to accrue to the Company from the agreement.

14 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 (2020: £nil).

15 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.