

**GlaxoSmithKline Intellectual Property (No.3) Limited**  
(Registered number: 11480952)

**Directors' report and financial statements**

**for the year ended 31 December 2020**

**Registered office address:**

980 Great West Road  
Brentford  
Middlesex  
TW8 9GS  
England

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**GlaxoSmithKline Intellectual Property (No.3) Limited**  
**(Registered number: 11480952)**

**Directors' report and financial statements**  
**for the year ended 31 December 2020**

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**GlaxoSmithKline Intellectual Property (No.3) Limited**  
**(Registered number: 11480952)**

**Directors' report for the year ended 31 December 2020**

The Directors present their report on GlaxoSmithKline Intellectual Property (No.3) Limited (the "Company") and the financial statements for the year ended 31 December 2020.

**Principal activities and future developments**

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

The Company's principal activities are the development, enhancement, maintenance, protection and exploitation of intellectual property assets owned by the Company which may include but are not limited to, licensing out intellectual property rights relating to pharmaceutical products to Group companies and carrying out research and development activities. For the year ended 31 December 2020, the Company has commenced development activities but is not generating any revenue as a result of the early stage of development of the assets. 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 year of £128,889,000 (2019: loss of £118,179,000). The Directors have received confirmation that GlaxoSmithKline Finance plc will support the Company for at least one year after these financial statements are signed.

The loss for the year of £128,889,000 will be transferred from reserves (2019: loss of £118,179,000 formed the initial reserves).

**Results**

The Company's results for the financial year are shown in the statement of comprehensive income on page 4.

No dividend is proposed to the holders of ordinary shares in respect of the year ended 31 December 2020 (2019: £nil).

**Research and development**

The Company is responsible for instigating research and development ("R&D") activities, which are carried out by GlaxoSmithKline Research & Development Limited and other Group undertakings. The expenses from these activities include amounts re-charged from other Group undertakings. In addition, the Company has entered into an in-licensing initiative that has strengthened the R&D pipeline.

**Financial instruments**

The Company has entered into foreign currency forward and swap contracts to mitigate the foreign currency exposure on certain foreign currency transactions of the Company. Detailed disclosures are not provided in the financial statements as the Company has taken advantage of the exemption from disclosure under FRS 101. Details of the accounting policies applied to financial instruments are disclosed in note 2(o).

**GlaxoSmithKline Intellectual Property (No.3) Limited**  
**(Registered number: 11480952)**

**Directors' report for the year ended 31 December 2020 (continued)**

**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:

Edinburgh Pharmaceutical Industries Limited  
The Wellcome Foundation Limited  
A Walker  
K Priestman  
J Andries  
J Wheatcroft

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

**Directors' indemnity**

Each of the Directors benefits from an indemnity given by the Company under its articles of association. This indemnity is in respect of liabilities incurred by the Director in the execution and discharge of their duties.

In addition, each of the Directors who is an individual benefits from an indemnity given by another Group company, GlaxoSmithKline Services Unlimited. This indemnity is in respect of liabilities arising out of third party proceedings to which the Director is a party by virtue of their engagement in the business of the Company.

**Statement of Directors' responsibilities**

The Directors are responsible for preparing the Directors' report and 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.

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.

**GlaxoSmithKline Intellectual Property (No.3) Limited**  
**(Registered number: 11480952)**

**Directors' report for the year ended 31 December 2020 (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 the research and development activities of the Company. The Directors have taken into account that as part of the Group, the Company has already received the necessary letter of support from GlaxoSmithKline Finance plc 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.

**Impact of Brexit**

The UK left the EU on 31 January 2020 and the Brexit transition period ended on 31 December 2020 with a Trade and Cooperation Agreement ('a deal') in place between the UK and EU. The Group's overriding priority in preparing for the UK's exit from the EU has been to maintain continuity of supply of our medicines and vaccines to people in the UK and EU. The Group's post-Brexit operating model has been implemented, and we continue to work closely with Governments in both the UK and EU, as well as our third parties, on the effective implementation of the deal and to ensure that our sector continues to thrive in both the UK and EU. Over the longer term, we continue to believe that Brexit will not have a material impact on our business.

**Risks associated with COVID-19**

The potential impact of the COVID-19 pandemic on the Company's research and development activities and all its principal risks have been assessed with mitigation plans put in place. The Company continues to monitor the situation closely, as this continues to be a dynamic and an uncertain situation, with the ultimate severity, duration and impact unknown at this point including potential impacts on its activity. The situation could change at any time and there can be no assurance that the COVID-19 pandemic will not have a material adverse impact on the future results of the Company.

**Audit and small company exemption**

The Company has taken advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 31 December 2020.

In accordance with s414B of the Companies Act 2006, the Company is exempt from preparing a Strategic Report.

On behalf of the Board

*Adam Walker*

A Walker  
Director  
2 September 2021

**GlaxoSmithKline Intellectual Property (No.3) Limited**  
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**Statement of comprehensive income**  
**for the year ended 31 December 2020**

		<b>2020</b>	<i>For the period from 24</i>
		<b>£'000</b>	<b>July 2018 to 31</b>
	<b>Notes</b>		<b>December 2019</b>
			<b>£'000</b>
Administrative expenses		(222)	(377)
Research and development expenditure		(134,648)	(114,541)
Other operating expenses		(19,300)	(28,737)
<b>Operating loss</b>	<b>4</b>	<b>(154,170)</b>	<b>(143,655)</b>
<b>Loss before interest and taxation</b>		<b>(154,170)</b>	<b>(143,655)</b>
Finance expense	<b>6</b>	<b>(837)</b>	<b>(2,245)</b>
<b>Loss before taxation</b>		<b>(155,007)</b>	<b>(145,900)</b>
Taxation	<b>7</b>	<b>26,118</b>	<b>27,721</b>
<b>Loss for the year / period</b>		<b>(128,889)</b>	<b>(118,179)</b>

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 to present other comprehensive income has been prepared.

**GlaxoSmithKline Intellectual Property (No.3) Limited**  
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**Balance sheet**  
**as at 31 December 2020**

	Notes	2020 £'000	2019 £'000
<b>Non-current assets</b>			
Intangible assets	8	50,467	64,479
Deferred tax assets	7	4,424	-
<b>Total non-current assets</b>		<b>54,891</b>	<b>64,479</b>
<b>Current assets</b>			
Trade and other receivables	9	24,686	8,424
Corporation tax		30,209	28,271
<b>Total current assets</b>		<b>54,895</b>	<b>36,695</b>
<b>Total assets</b>		<b>109,786</b>	<b>101,174</b>
<b>Current liabilities</b>			
Trade and other payables	11	(356,100)	(198,139)
Derivative financial instruments	10	(754)	(2,609)
<b>Total current liabilities</b>		<b>(356,854)</b>	<b>(200,748)</b>
<b>Net current liabilities</b>		<b>(301,959)</b>	<b>(164,053)</b>
<b>Total assets less current liabilities</b>		<b>(247,068)</b>	<b>(99,574)</b>
<b>Non-current liabilities</b>			
Trade and other payables	11	-	(18,605)
<b>Total liabilities</b>		<b>(356,854)</b>	<b>(219,353)</b>
<b>Net liabilities</b>		<b>(247,068)</b>	<b>(118,179)</b>
<b>Equity</b>			
Share capital	12	-	-
Accumulated losses		(247,068)	(118,179)
<b>Shareholder's deficit</b>		<b>(247,068)</b>	<b>(118,179)</b>

For the year ended 31 December 2020, the Company was entitled to exemption for audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- the members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006;
- the Directors acknowledge their responsibilities for complying with the requirement of the Act with respect to accounting records and preparation of accounts.

The financial statements on pages 4 to 16 were approved by the Board of Directors on 2 September 2021 and were signed on its behalf by:

*Adam Walker*

A Walker  
Director

**GlaxoSmithKline Intellectual Property (No.3) Limited**  
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**Statement of changes in equity**  
**for the year ended 31 December 2020**

	Notes	Share capital £'000	Accumulated losses £'000	Total £'000
<b>At 24 July 2018</b>		-	-	-
Loss for the financial period		-	(118,179)	(118,179)
Ordinary shares issued	12	-	-	-
<b>At 31 December 2019</b>		-	(118,179)	(118,179)
Loss for the year		-	(128,889)	(128,889)
<b>At 31 December 2020</b>		-	(247,068)	(247,068)



**GlaxoSmithKline Intellectual Property (No.3) Limited**  
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## **Notes to the financial statements for the year ended 31 December 2020**

### **1 Presentation of the financial statements**

#### **General information**

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

The Company's principal activities are the development, enhancement, maintenance, protection and exploitation of intellectual property assets owned by the Company which may include but are not limited to, licensing out intellectual property rights relating to pharmaceutical products to Group companies and carrying out research and development activities. For the year ended 31 December 2020, the Company has commenced development activities but is not generating any revenue as a result of the early stage of development of the assets. The Directors do not envisage any change to the nature of the business in the foreseeable future.

### **2 Summary of significant accounting policies**

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

#### **(a) Basis of preparation**

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

These financial statements have been prepared on the going concern basis under the historical cost convention as modified by the revaluation of derivative financial assets and liabilities at fair value through profit and loss and in accordance with the Companies Act 2006.

The financial statements are presented in Pounds Sterling (rounded to nearest '000).

#### **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 the research and development activities of the Company. The Directors have taken into account that as part of the Group, the Company has already received the necessary letter of support from GlaxoSmithKline Finance plc and can take actions to ensure business continuity through operational channels, as well as the ability to manage variable costs. On the basis of those considerations, the Directors believe that it remains appropriate to adopt the going concern basis of accounting in preparing the financial statements.

#### **Disclosure exemptions adopted**

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

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

**GlaxoSmithKline Intellectual Property (No.3) Limited**  
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**Notes to the financial statements for the year ended 31 December 2020**

**2 Summary of significant accounting policies (continued)**

**(a) Basis of preparation (continued)**

**Disclosure exemptions adopted (continued)**

- 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'.

The financial statements of GlaxoSmithKline plc can be obtained as described in note 2(b).

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

**GlaxoSmithKline Intellectual Property (No.3) Limited**  
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**Notes to the financial statements for the year ended 31 December 2020**

**2 Summary of significant accounting policies (continued)**

**(b) Ultimate and immediate parent undertaking**

The Company is a wholly owned subsidiary of the ultimate parent company. GlaxoSmithKline plc, a company registered in United Kingdom (England), is the Company's ultimate parent undertaking and controlling party. The largest and smallest group of undertakings for which group financial statements are prepared and which include the results of the Company are the consolidated financial statements of GlaxoSmithKline plc. Copies of the consolidated financial statements can be obtained from the Company Secretary, GlaxoSmithKline plc, 980 Great West Road, Brentford, Middlesex, TW8 9GS. The immediate parent undertaking is Glaxo Group 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 enters into development and marketing collaborations and out-licenses of the Company's compounds or products to external parties or other Group companies. These contracts give rise to fixed and variable consideration from royalties. Sales-based royalties on a license of intellectual property are not recognised until the relevant product sale occurs. Royalty income is recognised in turnover and royalty expenses are recognised in cost of sales.

**(e) Expenditure**

Expenditure is recognised in respect of services received when supplied in accordance with contractual terms.

**(f) Research and development**

Research and development expenditure is charged to the statement of comprehensive income in the year in which it is incurred and is presented net of the share of costs recharged to other parties under the terms of co-development and collaboration agreements. 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.

**(g) Royalty income and expenses**

The Company enters into development and marketing collaborations and out-licenses of the Company's compounds or products to other parties or other Group subsidiaries. These contracts give rise to fixed and variable consideration from royalties. Sales-based royalties on a license of intellectual property are not recognised until the relevant product sale occurs. Royalty income is recognised in turnover and royalty expenses are recognised in cost of sales.

**(h) Finance expense**

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

**Notes to the financial statements for the year ended 31 December 2020**

**2 Summary of significant accounting policies (continued)**

**(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 4 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. *Contingent milestone payments are recognised at the point that the contingent event becomes probable.* 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. Amortisation of intangible assets is included under other operating expense in the statement of comprehensive income.

**(j) Financial assets**

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

**(k) Impairment of financial assets**

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

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

**(l) Trade and other receivables**

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

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

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

**GlaxoSmithKline Intellectual Property (No.3) Limited**  
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**Notes to the financial statements for the year ended 31 December 2020**

**2 Summary of significant accounting policies (continued)**

**(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 applying the rates that have been enacted or substantively enacted by the balance sheet date.

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

**(o) Derivative financial instruments**

Derivative financial instruments are used to manage exposure to market risks. The principal derivative instrument used by the Company is foreign exchange forward contracts. The Company does not hold or issue derivative financial instruments for trading or speculative purposes.

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

**(p) Share capital**

Ordinary shares are classified as equity.

**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.

**4 Operating loss**

	2020 £'000	For the period from 24 July 2018 to 31 December 2019 £'000
<b>The following items have been charged / (credited) in operating loss:</b>		
Amortisation of intangible assets	19,141	23,162
Impairment of intangible assets	-	6,175
Exchange loss / (gain) on foreign currency transactions	159	(600)
Research and development expenditure	134,647	114,541
Management fee	13	49

GlaxoSmithKline Services Unlimited provides various services and facilities to the Company including finance and administrative services for which a management fee is charged. Included in the management fee is a charge for auditor's remuneration of £nil (2019: £36,000).

**GlaxoSmithKline Intellectual Property (No.3) Limited**  
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**Notes to the financial statements for the year ended 31 December 2020**

**5 Employees**

GlaxoSmithKline Services Unlimited is the legal employer of all UK Group employees providing services to the Company. It charges the costs of employees at cost to the economic employers across the UK Group.

To enable the Directors of the Company to develop, enhance, maintain, protect and exploit the intellectual property assets owned by the Company, delegated authority is given to a number of strategic and operational Boards and teams across the Group in the UK by the Directors. A proportion of the employee costs relating to these Boards and teams are recharged from GlaxoSmithKline Services Unlimited at cost to the intellectual property owners in the Group, including the Company.

**6 Finance expense**

	2020 £'000	For the period from 24 July 2018 to 31 December 2019 £'000
Interest expense on swaps	(108)	(1,919)
On bank loans and overdraft	(2)	(3)
Interest payable to Group companies	(727)	(323)
	<b>(837)</b>	<b>(2,245)</b>

**7 Taxation**

	2020 £'000	For the period from 24 July 2018 to 31 December 2019 £'000
<b>Income tax credit on loss</b>		
Current tax:		
UK corporation tax at 19.00% (2019: 19.00%)	(26,723)	(27,721)
Adjustments in respect of previous years	5,029	-
<b>Total current tax credit</b>	<b>(21,694)</b>	<b>(27,721)</b>
Deferred tax:		
Adjustments in respect of previous years	(1,258)	-
Effect of increased tax rate on opening balance	(148)	-
Origination and reversal of timing differences	(3,018)	-
<b>Total deferred tax</b>	<b>(4,424)</b>	<b>-</b>
<b>Total tax credit for the year / period</b>	<b>(26,118)</b>	<b>(27,721)</b>

**GlaxoSmithKline Intellectual Property (No.3) Limited**  
**(Registered number: 11480952)**

**Notes to the financial statements for the year ended 31 December 2020**

**7 Taxation (continued)**

The tax assessed for the year is lower (2019: same) than the standard rate of corporation tax in the UK for the year ended 31 December 2020 of 19.00% (2019: 19.00%). The differences are explained below:

	2020 £'000	2019 £'000
<b>Reconciliation of total tax credit</b>		
Loss on ordinary activities before tax	(155,007)	(145,900)
Tax on ordinary activities at the UK standard rate 19.00%	(29,451)	(27,721)
Effects of:		
R&D expenditure credits	(290)	-
Adjustments to tax charge in respect of previous periods	3,771	-
Remeasurement of deferred tax - change in tax rate	(148)	-
<b>Total tax credit for the year / period</b>	<b>(26,118)</b>	<b>(27,721)</b>

Factors that may affect future tax rates:

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge accordingly. The deferred tax asset at 31 December 2020 has been calculated at 19% (2019: 17%).

An increase in the UK corporation tax rate from 19% to 25% (effective from 1 April 2023) was substantively enacted on 24 May 2021. Deferred taxes have been measured using appropriate rates substantively enacted at the balance sheet date. The overall effect of the proposed changes from 19% to 25%, if these applied to the deferred tax balance at 31 December 2020, would be an increase in the deferred tax asset by approximately £1,397,000.

**Movement in deferred tax assets**

	Intangible assets £'000
At 1 January 2020	-
Charge to income statement	4,424
<b>At 31 December 2020</b>	<b>4,424</b>

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

	2020 £'000	2019 £'000
<b>Deferred tax assets classified as non-current assets</b>	<b>4,424</b>	<b>-</b>

**GlaxoSmithKline Intellectual Property (No.3) Limited**  
**(Registered number: 11480952)**

**Notes to the financial statements for the year ended 31 December 2020**

**8 Intangible assets**

	<b>Licences and Patents £'000</b>
<b>Cost</b>	
At 1 January 2020	93,816
Additions	5,129
At 31 December 2020	98,945
<b>Accumulated amortisation</b>	
At 1 January 2020	(23,162)
Charge for the year	(19,141)
At 31 December 2020	(42,303)
<b>Accumulated impairment</b>	
At 1 January 2020	(6,175)
Charge for the year	-
At 31 December 2020	(6,175)
Net book value at 31 December 2019	64,479
Net book value at 31 December 2020	50,467

The addition of £5m (2019: £94m) during the year relates to acquired licences and patents which are either in use or still in development.

Intangible asset amortisation and impairment is recorded within other operating expenses in the statement of comprehensive income.

**9 Trade and other receivables**

	<b>2020 £'000</b>	<b>2019 £'000</b>
<b>Amounts due within one year</b>		
Amounts owed by Group undertakings	19,355	-
Other receivables	5,331	8,424
	<b>24,686</b>	<b>8,424</b>

The amounts owed by Group undertakings are unsecured, interest free and are repayable on demand except for a call account balance with GlaxoSmithKline Finance plc of £19,117,000 (2019: £nil) which are unsecured with interest paid at LIBOR rate less 0.125% per annum and repayable on demand.

**10 Derivative financial instruments**

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

	<b>2020 £'000</b>	<b>2019 £'000</b>
Foreign exchange forward and swap contracts - held-for-trading	(754)	(2,609)

The notional principal amounts of the outstanding derivative instruments at 31 December 2020 were £15 million.



**GlaxoSmithKline Intellectual Property (No.3) Limited**  
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**Notes to the financial statements for the year ended 31 December 2020**

**10 Derivative financial instruments (continued)**

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

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

**11 Trade and other payables**

	2020 £'000	2019 £'000
<b>Amounts falling due within one year</b>		
Amounts owed to Group undertakings	320,731	179,500
Trade payables	9,500	-
Other payables	25,869	18,639
	<b>356,100</b>	<b>198,139</b>
<b>Amounts falling due after more than one year</b>		
Other payables	-	18,605

The amounts owed to Group undertakings are unsecured, interest free and are repayable on demand except for a call account balance with GlaxoSmithKline Finance plc of £nil (2019: £16,302,000) and GlaxoSmithKline IHC Limited of £274,885,000 (2019: £82,426,000) which are unsecured with interest paid at LIBOR rate plus 0.25% per annum and repayable on demand.

**12 Share capital**

	2020 Number of shares	2020 £'000	2019 Number of shares	2019 £'000
<b>Authorised</b>				
Ordinary Shares of £1 each (2019: £1 each)	100	-	100	-

**13 Commitments**

	2020 £'000	2019 £'000
<b>Capital commitments</b>		
Contracted for but not provided in the financial statements		
Intangible assets	161,724	34

The commitments related to intangible assets include milestone payments, which are dependent on successful clinical development or on meeting specified sales targets, and which represent the maximum that would be paid if all milestones, however unlikely, are achieved. As the agreement relate to compounds in the early stages of development, milestone payments will continue for a number of years if the compounds move successfully through the development process. Generally, the closer the product is to marketing approval, the greater the possibility of success.

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**Notes to the financial statements for the year ended 31 December 2020**

**14 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 2020 is limited to the amount held on its accounts with the bank. No loss is expected to accrue to the Company from the agreement.

**15 Directors' remuneration**

During the year, the Directors of the Company, with the exception of the Corporate Directors, were remunerated as executives of the Group and received no remuneration in respect of their services to the Company (2019: £nil). *Corporate Directors received no remuneration during the year, either as executives of the Group or in respect of their services to the Company (2019: £nil).*

**16 Related party transactions**

As a wholly owned subsidiary of the ultimate parent company, GlaxoSmithKline plc, advantage has been taken of the exemption afforded by FRS 101 'Reduced disclosure framework' not to disclose any related party transactions with other wholly owned members of the Group, or information around remuneration of key management personnel compensation.