

GSK FINANCE (NO.3) PLC
(Registered number: 12615561)

Annual Report and Financial Statements

for the year ended 31 December 2022

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Brentford
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GSK FINANCE (NO.3) PLC
(Registered number: 12615561)

Annual Report and Financial Statements
for the year ended 31 December 2022

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GSK FINANCE (NO.3) PLC
(Registered number: 12615561)

Strategic report for the year ended 31 December 2022

The Directors present their Strategic report on GSK FINANCE (NO.3) PLC (the "Company") for the year ended 31 December 2022.

Principal activities and future developments

The Company is a member of the GSK Group (the "Group"). The Company is a public 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 principal activity of the Company during the period was to hold investments and capital market debt.

The Directors expect the Company to be liquidated within the next 12 months after these financial statements are signed, following the transfer of any remaining assets and liabilities to another Group company. Consequently these financial statements have been prepared on a basis other than that of a going concern (as explained in note 2a).

Review of business

On 20th July 2022, Theravance Biopharma, Inc sold its royalty rights of Trelegy Ellipta to an external party. Following this, GSK offered all of the holders of the exchangeable bonds issued by the Company the right to redeem their notes at par. Approximately 96% of bondholders tendered their notes on 20th September 2022, with the remaining 4% subsequently being redeemed by the Company at par on 21st October 2022. On 19th September 2022 Theravance Biopharma, Inc announced a capital return program, as part of which it agreed to purchase GSK's entire holdings in the company at \$9.75 per share.

The Company made a loss for the period of \$10,935,000 (2021: loss of \$56,103,000). The Directors understand that the loss in the year arises from the performance of the share price of the Company's equity investments.

The loss for the year of \$10,935,000 (2021: loss of \$56,103,000) will be transferred to reserves.

Principal risks and uncertainties

The Directors of GSK plc manage the risks of the Group at a group level, rather than at an individual statutory entity level. For this reason, the Company's Directors believe that a discussion of the Group's risks would not be appropriate for an understanding of the development, performance or position of the Company's business. The principal risks and uncertainties of the Group, which include those of the Company, are discussed in the Group's 2022 annual report which does not form part of this report.

Key performance indicators (KPIs)

The Directors of the Group manage the Group's operations on an operating segment basis. The KPIs including but not limited to operating profit are reviewed at the Group level. For this reason, the Company's Directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the Company's business. The development, performance and position of the Group are discussed in the Group's 2022 annual report which does not form part of this report.

GSK FINANCE (NO.3) PLC
(Registered number: 12615561)

Strategic report for the year ended 31 December 2022


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.

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 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



Mr A Davidson
Director
14 June 2023

GSK FINANCE (NO.3) PLC
(Registered number: 12615561)

Directors' report for the year ended 31 December 2022

The Directors present their report on GSK FINANCE (NO.3) PLC (the "Company") and the audited financial statements for the year ended 31 December 2022.

Results and dividends

The Company's results for the financial year are shown in the income statement on page 9.

No dividend is proposed to the holders of ordinary shares in respect of the year ended 31 December 2022. (2021: nil)

Financial risk management

The Company has issued an exchangeable bond and an option in order to meet anticipated funding requirements for the Group. The strategy is to diversify liquidity sources using a range of facilities and to maintain broad access to funding markets. Details of derivative financial instruments and further information on risk management policies, exposures to market, credit and liquidity risk are disclosed in Note 2(n) and Note 4 respectively.

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:

Mr A Davidson
Edinburgh Pharmaceutical Industries Limited
Dr P Hopkins
The Wellcome Foundation Limited

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

Directors' indemnity

Each of the Directors 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 annual report, Strategic report, 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.

GSK FINANCE (NO.3) PLC
(Registered number: 12615561)

Directors' report for the year ended 31 December 2022

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 Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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; 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 auditors

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.


Going concern

The Company redeemed all its bonds during the year as described in Note 15 and sold all its equity investments as described in Note 11. The Directors therefore expect the Company, having completed all its primary objectives, to be liquidated within the next 12 months after these financial statements are signed. Consequently, these financial statements have been prepared on a basis other than that of a going concern (as explained in Note 2a). No adjustments arose as a result of ceasing to apply the going concern basis.

Independent auditors

Deloitte LLP have been appointed to act as the Company's auditors by a resolution of the Board of Directors in accordance with s489(3) Companies Act 2006. A resolution of the members to re-appoint Deloitte LLP as auditors was passed at the Annual General Meeting of the Company held on 19 April 2022 in accordance with s489(4) Companies Act 2006.

On behalf of the Board



Mr A Davidson
Director
14 June 2023

Independent auditor's report to the members of GSK FINANCE (NO.3) PLC

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of GSK FINANCE (NO.3) PLC (the 'company').

- give a true and fair view of the state of the company's affairs as at 31 December 2022 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 income statement;
- the balance sheet;
- the statement of changes in equity;
- the related notes 1 to 22 in the financial statements.

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.

Emphasis on matter - Financial statements prepared other than on a going concern basis

We draw attention to Note 2(a) to the financial statements, which indicates that the financial statements have been prepared on a basis other than that of going concern. Our opinion is not modified in respect of this matter.

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.

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 respect of these matters.

Independent auditor's report to the members of GSK FINANCE (NO.3) PLC

Report on the audit of the financial statements

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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 and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

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.

Independent auditor's report to the members of GSK FINANCE (NO.3) PLC

Report on the audit of the financial statements

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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

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



Deloitte LLP
Statutory Auditor
London, United Kingdom
14 June 2023

GSK FINANCE (NO.3) PLC**Income statement
for the year ended 31 December 2022**

	Note	2022 \$'000	2021 \$'000
Other operating income/(expense)	6	(12,574)	(64,876)
Finance income	8	3,122	13,756
Finance expense	9	(5,142)	(3,430)
Operating loss		(14,594)	(54,550)
Loss before taxation		(14,594)	(54,550)
Taxation	10	3,659	(1,553)
Loss for the year		(10,935)	(56,103)

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.

The notes on pages 11 to 20 are an integral part of these financial statements.

GSK FINANCE (NO.3) PLC

Balance sheet
as at 31 December 2022

	Note	2022 \$'000	2021 \$'000
Non-current assets			
Equity investments	11	-	106,575
Total non-current assets		-	106,575
Current assets			
Cash and cash equivalents		-	-
Trade and other receivables	12	116,410	300,068
Prepayments and accrued income	13	988	9
Corporation tax	10	-	601
Total current assets		117,398	300,678
Total assets		117,398	407,253
Current liabilities			
Trade and other payables	14	-	(39)
Total current liabilities		-	(39)
Net current assets		117,398	300,639
Total assets less current liabilities		117,398	407,214
Non-current liabilities			
Deferred tax liabilities	10	-	(3,659)
Derivative financial instruments	16	-	(28)
Long-term borrowings	15	-	(275,194)
Total non-current liabilities		-	(278,881)
Total liabilities		-	(278,920)
Net assets		117,398	128,333
Equity			
Share capital	19	63	63
Share premium		248,257	248,257
Retained earnings		(130,922)	(119,987)
Shareholders' equity		117,398	128,333

The notes on pages 11 to 20 are an integral part of these financial statements.

The financial statements on pages 8 to 20 were approved by the Board of Directors on 14 June 2023 and signed on its behalf by:



Mr A Davidson
Director
14 June 2023

GSK FINANCE (NO.3) PLC

**Statement of changes in equity
for the year ended 31 December 2022**

	Note	Share capital \$'000	Share premium \$'000	Retained earnings \$'000	Total equity \$'000
At 1 January 2021		63	248,257	(63,884)	184,436
Profit/(loss) for the year		-	-	(56,103)	(56,103)
At 31 December 2021		63	248,257	(119,987)	128,333
Profit/(loss) for the year		-	-	(10,935)	(10,935)
At 31 December 2022		63	248,257	(130,922)	117,398

The notes on pages 11 to 20 are an integral part of these financial statements.

GSK FINANCE (NO.3) PLC

Notes to the financial statements for the year ended 31 December 2022

1 Presentation of the financial statements

General information

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

The principal activity of the Company during the period was to hold investments and capital market debt.

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 a basis other than that of going concern as the Directors have decided to liquidate the Company within the next 12 months, following the transfer of any remaining assets and liabilities to another Group company. However, these financial statements have still been prepared following the general measurement, recognition and disclosure requirements of FRS 101 and that liabilities continue to be recognised and measured in accordance with FRS 101 until the obligations are discharged, cancelled or expire. The financial statements are presented in US Dollars.

No adjustments arose as a result of ceasing to apply the going concern basis.

Going concern basis

Following the decision of Theravance Biopharma, Inc to sell its royalty rights of Trelegy Ellipta to an external party, it was decided that the holders of the exchangeable bond issued by the Company would have the right to redeem their notes at par. As a result the full principal of the bond was redeemed in the months of September and October of 2022. On 19th September 2022 Theravance Biopharma, Inc announced a capital return program, as part of which it agreed to purchase GSK's entire holdings in the company at \$9.75 per share. All of the above events effectively constitute a cessation of Company's principal activities, as it was originally set up as a holding company for the investment in Theravance Biopharma, as well as the bond with an embedded option to exchange it for the stock of Theravance. The Company is therefore expected to be placed in liquidation in the year 2023. Consequently, these financial statements have been prepared on a basis other than that of a going concern.

No adjustments arose as a result of ceasing to apply the going concern basis.

Disclosure exemptions adopted

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

- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - (i) paragraph 79(a) (iv) of IAS 1;
- 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 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);
- IAS 7, 'Statement of cash flows';
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the 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); and
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or members of a group.

GSK FINANCE (NO.3) PLC

Notes to the financial statements for the year ended 31 December 2022

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

The financial statements of GSK plc can be obtained as described in note 2b.

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 wholly owned 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 Glaxo Group Limited. These financial statements are separate financial statements.

(c) Foreign currency transactions

Foreign currency transactions are booked in 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 functional currency at rates of exchange ruling at the balance sheet date. Exchange differences are included in the income statement. The functional and presentation currency of the Company is US dollars.

(d) Administrative expenses

Management service fees are recognised in administrative expenses on an accruals basis.

(e) Operating expense

Fair Value of Theravance investment is recognised in operating expense on an accruals basis. Unrealised gains and losses are recognised in the income statement.

(f) Finance income and expense

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

(g) Financial assets

Classification and measurement of 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.

Other Investments

Other investments comprise equity investments, which are investments in limited life funds are measured at FVTPL. They are initially recorded at fair value and then remeasured at subsequent reporting dates to fair value. Unrealised gains and losses are recognised in the income statement.

On disposal of other investments, gains and losses are recognised directly in the income statement. Unrealised gains and losses are recognised in the income statement.

Interest received on other investments are recognised in the income statement when the Company's right to receive payment is established.

Purchases and sales of other investments are accounted for on the trade date.

(h) Impairment of financial assets

Expected credit losses are recognised in the income statement on financial assets measured at amortised cost.

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.

GSK FINANCE (NO.3) PLC

Notes to the financial statements for the year ended 31 December 2022

2 Summary of significant accounting policies (continued)

(i) Trade and other receivables

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

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

(j) 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.

(k) Borrowings

All Borrowings, which consist of an exchangeable bond, are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

(l) 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.

(m) Managing interest rate benchmark reform and associated risks

In 2021, the Company conducted an exercise to transfer all its loans to or from group undertakings to the replacement risk free interest rates (in the currencies where the interest rates have been reformed globally). Consequently it no longer had any exposures to IBOR in these currencies at 31 December 2021 and no further action was taken in 2022.

(n) Derivative financial instruments

Derivative financial instruments can be used by the Company to manage exposure to market risks. The Company does not hold or issue derivative financial instruments for trading or speculative purposes. The Company held an embedded derivative option instrument within the exchangeable bond, which was redeemed during the year.

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

(o) Share capital

Ordinary shares are classified as equity.

3 Critical accounting judgements and key sources of estimation uncertainty

The Directors do not consider that there are any critical accounting judgements 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. There have been no significant estimates or assumptions which are likely to cause a material adjustment to the carrying amount of assets and liabilities within the next financial year.

GSK FINANCE (NO.3) PLC

Notes to the financial statements for the year ended 31 December 2022

4 Financial risk management

Risk management is carried out by the Group's Corporate Treasury under policies and procedures approved annually by the Group's Board of Directors, most recently on 12 October 2022. The role of Corporate Treasury is to monitor and manage the Group's external and internal funding requirements and financial risks, covering foreign exchange, interest rate, liquidity, and credit risks in support of the Group's strategic objectives. A Treasury Management Group meeting, chaired by the Group's Chief Financial Officer, also takes place on a quarterly basis to review treasury activities.

(a) Market Risk

Interest rate risk

The Company's interest rate risk arises mainly from commercial paper with Group undertakings held at floating rates which expose the Company to interest rate risk.

The table below hypothetically shows the Company's sensitivity to changes in interest rates in relation to US dollar floating rate financial assets. If interest rates applicable to floating rate financial assets were to have increased by 1% (100 basis points), and assuming all other variables had remained constant, it is estimated that the Company's finance income for 2022 would have increased by approximately \$1,164,000 (2021: £3,001,000 increase in finance income). If the applicable interest rate were to have increased by 1.5%, the financial income for 2022 would have increased by approximately £1,746,000 (2021: £4,501,000 increase in finance income).

	2022 Increase in income \$'000	2021 Increase in income \$'000
1% (100 basis points) increase in US dollar interest rates	1,164	3,001
1.5% (150 basis points) increase in US dollar interest rates	1,746	4,501

The tables below illustrate the interest rate profiles arising from the Company's borrowings.

Currency and interest rate risk profile of borrowings

At 31 December 2022	Fixed rate		Fixed rate \$'000	Floating rate \$'000	Total \$'000
	Weighted average interest rate %	Average years for which rate is fixed			
Currency					
US dollars	-	-	-	-	-
Total borrowings	-	-	-	-	-

At 31 December 2021	Fixed rate		Fixed rate \$'000	Floating rate \$'000	Total \$'000
	Weighted average interest rate %	Average years for which rate is fixed			
Currency					
US dollars	1.2	1	(275,194)	-	(275,194)
Total borrowings	1.2	1	(275,194)	-	(275,194)

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Notes to the financial statements for the year ended 31 December 2022

4 Financial risk management (continued)

Currency and interest rate risk profile of loans and receivables

At 31 December 2022	Fixed rate	Floating rate	Total
Currency	\$'000	\$'000	\$'000
US dollars	-	116,410	116,410
Total loans and receivables	-	116,410	116,410

At 31 December 2021	Fixed rate	Floating rate	Total
Currency	\$'000	\$'000	\$'000
US dollars	-	300,068	300,068
Total loans and receivables	-	300,068	300,068

There are no significant foreign currency exposures at 31 December 2022 as all material transactions are in the Company's functional currency (US dollar).

(b) Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and arises from cash and cash equivalents, favourable derivative financial instruments and deposits held with banks and financial institutions, and outstanding loans and receivables. The Group sets global counterparty limits for each of its banking and investment counterparties based on long-term credit ratings from Standard and Poor's and Moody's Investor Services ("Moody's"). Usage of these limits is monitored daily and Corporate Treasury actively manages its exposure to credit risk, reducing surplus cash balances wherever possible.

There are no financial assets that are past due or impaired as at 31 December 2022.

The Company did not hold any collateral as security or obtained other credit enhancements as at 31 December 2022.

The Company considers its maximum exposure to credit risk at 31 December 2022, without taking into account any collateral held or other credit enhancements, to be \$117,398,000 (2021: \$300,077,371) being the total of the Company's financial assets (excluding the equity investments) of which the balances are all held within the GSK Group.

(c) Liquidity risk

Liquidity is managed centrally by the Group by borrowing in order to meet anticipated funding requirements. The Group's cash flow forecast and funding requirements are monitored on a quarterly basis by the Treasury Management Group and the strategy is to have diversified liquidity sources using a range of facilities and to maintain broad access to funding markets.

5 Capital management

The Group's financial strategy supports its strategic priorities and is regularly reviewed by the Board. The capital structure of the Group is managed through an appropriate mix of debt and equity in order to optimise returns to shareholders whilst maintaining the Group's credit ratings that provide the Company with flexibility to access debt capital markets on attractive terms under the exchangeable bond.

Following the early bond settlement, the capital structure of the Company consists of no net debt (2021: \$275,194,000) and shareholders' funds of \$117,398,000 (2021: \$128,333,000, see Statement of changes in equity).

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Notes to the financial statements for the year ended 31 December 2022

6 Operating profit

	2022 \$'000	2021 \$'000
The following items have been charged in operating profit:		
Fair value movement on equity investment	(12,538)	(64,813)
Exchange gain on foreign currency transactions	(0)	(23)
Management fee	(36)	(40)
Total operating expense	(12,574)	(64,876)

The amount of operating profit represents the loss on fair value of Theravance Biopharma, Inc. investment in amount of 12,538,000 (2021: \$64,813,000), an intra-group service management fee charge of \$36,456 (2021: \$40,077) and foreign exchange loss of \$228 (2021: \$22,927). The Auditor's remuneration for the audit of the financial statements of \$20,450 (2021: \$21,300) has been borne by other Group companies and is not recharged.

7 Employees

All of the Group's UK employees are remunerated by GlaxoSmithKline Services Unlimited and receive no remuneration from the Company (2021: nil). A management fee is charged by GlaxoSmithKline Services Unlimited for services provided to the Company (see Note 6).

8 Finance income

	2022 \$'000	2021 \$'000
Finance income arising on:		
Gains on derivative financial instruments	28	13,428
Financial assets measured at amortized cost	3,094	328
Total finance income	3,122	13,756

The \$28,000 (2021: \$13,428,094) represents the fair value adjustment of the option embedded within the convertible bond. The Company no longer holds this option as the underlying bond was repaid.

The \$3,094,000 (2021: \$328,000) represents commercial paper interest with GlaxoSmithKline Finance plc. The increase is driven by higher interest rates on US dollar commercial paper.

9 Finance expense

	2022 \$'000	2021 \$'000
Finance expense arising on:		
Financial liabilities measured at amortized cost	(5,142)	(3,430)
Total finance expense	(5,142)	(3,430)

The \$5,142,067 (2021: \$3,429,588) represents the costs of \$2,944,478 (2021: \$1,976,127) incurred from the issuance of the bond amortised on an effective interest rate basis over the life of the bond and the effective interest expense of \$2,197,589 (2021: \$1,453,461) on the exchangeable bond.

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Notes to the financial statements for the year ended 31 December 2022

10 Taxation

	2022 \$'000	2021 \$'000
Income tax charge/(credit) on loss		
Current tax:		
UK corporation tax at 19.00%	-	(601)
Total current tax	-	(601)
Deferred tax:		
Origination and reversal of timing differences	(2,781)	1,679
Change in tax rate - impact on deferred tax	(878)	475
Total deferred tax	(3,659)	2,154
Total tax (credit)/charge for the year	(3,659)	1,553

The tax assessed for the year is lower (2021: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2022 of 19.00% (2021: 19.00%). The differences are explained below:

	2022 \$'000	2021 \$'000
Reconciliation of total tax charge/(credit)		
Loss before tax	(14,594)	(54,550)
Tax at the UK standard rate 19.00% (2021: 19.00%)	(2,773)	(10,364)
Effects of:		
Expenses not deductible for tax purposes	2,382	12,315
Group relief surrendered for nil payment	396	-
Income not taxable	(5)	-
Reversal of deferred tax on lapse of option	(3,659)	-
Remeasurement of deferred tax - change in tax rate	-	878
Capital loss surrender for nil payment	-	(1,276)
Total tax (credit)/charge for the period	(3,659)	1,553

Factors that may affect future tax charges:

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the Company's future current tax charge accordingly. The deferred tax at 31 December 2022 has been calculated based on these rates, reflecting the expected timing of reversal of the related temporary differences (2021: 19%).

Movement in deferred tax assets and (liabilities)

	Other net temporary differences \$'000	Total \$'000
At 1 January 2021		
(Charge) to income statement	(3,659)	(3,659)
At 31 December 2021	(3,659)	(3,659)
At 31 December 2021	(3,659)	(3,659)
Credit to income statement	3,659	3,659
At 31 December 2022	-	-
	2022 \$'000	2021 \$'000
Deferred tax liabilities classified as non-current liabilities	-	(3,659)
	-	-

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Notes to the financial statements for the year ended 31 December 2022

11 Equity investments

	2022	2021
	\$'000	\$'000
Carrying value at 1st January	106,575	171,388
Additions	-	-
Disposals	(94,037)	-
Fair value movements	(12,538)	(64,813)
Foreign exchange movements	-	-
Carrying value at 31 December	-	106,575

In September 2022, the Company disposed of its holding in Theravance Biopharma, Inc through a capital return program. The disposal value of \$94,036,868 represents the value of Company's shareholding in Theravance of 9,644,807 shares at the agreed sale price of \$9.75 per share. The fair value decrease of \$12,538,249 (2021: \$64,813,000) represents the difference between the 2022 opening share price of \$11.05 and the agreed price of \$9.75.

12 Trade and other receivables

	2022	2021
	\$'000	\$'000
Amounts due within one year		
Amounts owed by Group undertakings	116,410	300,068

Amounts due within one year include call accounts with Group undertakings of \$3,333 (2021: \$42,861) which is unsecured, repayable on demand with interest received at SOFR rate minus 0.05% per annum (2021: LIBOR rate less 0.125% per annum up to 1 November 2021. From 1 November 2021, the interest rate changed to SOFR rate minus 0.05% per annum), and also include commercial paper with Group undertakings of \$116,406,002 (2021: \$300,025,140) which are unsecured, repayable within three months with interest received at SOFR rate minus 0.025% per annum (2021: LIBOR rate less 0.125% per annum up to 1 November 2021. From 1 November 2021, the interest rate changed to SOFR rate plus 0.05% per annum).

13 Prepayments and accrued income

	2022	2021
	\$'000	\$'000
Amounts due within one year		
Amounts owed by Group undertakings	988	9

Accrued income relates to interest on commercial paper issued by GlaxoSmithKline Finance plc. The increase is driven by higher interest rates on US dollar commercial paper.

14 Trade and other payables

	2022	2021
	\$'000	\$'000
Amounts falling due within one year		
Amounts owed to Group undertakings	-	(39)
Total trade and other payables	-	(39)

The decrease with respect to the 2021 balance payable balance was caused by the repayment of \$39,000 worth of intra-group service management service charges.

15 Long-term borrowings

	2022	2021
	\$'000	\$'000
Maturity of borrowings		
Amounts falling due in more than one year, but not more than two years		
Exchangeable bond	-	(275,194)
	-	(275,194)

\$275,194,000 of the opening balance relates to the carrying value of a convertible bond with an embedded option of exchange into ordinary shares of Theravance Biopharma, Inc. originally to mature on 22 June 2023. The bond was early matured, with 95.98% of the principal value being repaid on 20th September 2022 and remaining 4.02% being redeemed on the 21st October 2022.

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Notes to the financial statements for the year ended 31 December 2022

16 Derivative financial instruments

	2022		2021	
	Assets \$000	Liabilities \$000	Assets \$000	Liabilities \$000
Option within exchangeable bond	-	-	-	(28)

The Company had an embedded derivative option instrument within the exchangeable bond until the bond was fully repaid in the month of October 2022.

17 Fair value of financial assets and liabilities

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

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

- Borrowings (Exchangeable bond) – based on bond floor price (a level 2 fair value measurement);
- Receivables and payables – approximates to the carrying amount.

The carrying amounts and the fair values of the Company's financial assets and liabilities at 31 December 2022 are illustrated below.

	2022		2021	
	Carrying value \$000	Fair value \$000	Carrying value \$000	Fair value \$000
Financial assets measured at amortised cost:				
Amounts owed by Group undertakings	116,410	116,410	300,068	300,068
Prepayment & accrued income	988	988	9	9
Financial assets at fair value through profit or loss:				
Equity Investment	-	-	106,575	106,575
Total financial assets	117,398	117,398	406,652	406,652
Financial liabilities measured at amortised cost:				
Exchangeable bond	-	-	(275,194)	(275,402)
Other payables	-	-	(39)	(39)
Financial liabilities at fair value through profit or loss:				
Derivative option	-	-	(28)	(28)
Total financial liabilities	-	-	(275,261)	(275,469)

The decrease in the carrying value of financial assets measured at amortised cost is a result of a decrease in commercial paper balance held with GSK Finance plc. The invested principal decreased as the company repaid its \$280,336,000 exchangeable bond and sold its investment in Theravance Biopharma, Inc. for a total consideration of \$94,036,868.

Following the repayment of the exchangeable bond, the Company no longer holds any financial liabilities measured at amortised cost.

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Notes to the financial statements for the year ended 31 December 2022

18 Contractual cash flows for non-derivative financial liabilities

	2022	Interest	2021	Interest
	Debt	on debt	Debt	on debt
	\$'000	\$'000	\$'000	\$'000
Between one and two years	-	-	(280,336)	-

The prior year balance of \$280,336,000 represented the convertible bond that was fully repaid by October 2022. The interest on the bond was calculated and amortized over the life of the bond.

19 Share capital

	2022		2021	
	Number of shares	\$'000	Number of shares	\$'000
Issued and fully paid				
Ordinary Shares of \$1.25 each	50,001	63	50,001	63

In 2020, The Company was incorporated with 50,000 Ordinary Shares with a nominal value of £50,000. Later in the year, the Company redenominated its £50,000 share capital into USD and issued an additional share for total consideration of \$248,257,332 and used these proceeds to purchase shares in a US company (Theravance Biopharma, Inc.) which Glaxo Group Limited owned.

20 Directors' remuneration

During the period, the Directors of the Company were remunerated as executives of the Group. They received no remuneration in respect of their services to the Company (2021: no remuneration received).

21 Contingent assets/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 2022 is limited to the amount held on its accounts with the bank. No loss is expected to accrue to the Company from the agreement.

22 Related party transactions

As a wholly owned subsidiary of the ultimate parent company, GSK plc, advantage has been taken of the exemption afforded by FRS 101 "Reduced Disclosure Framework" not to disclose any related party transactions within the Group and disclosure of key management personnel compensation. There are no other related party transactions.