ViiV Healthcare Limited

Annual Report 2013

Registered number 06876960

Registered office address 980 Great West Road, Brentford, Middlesex, United Kingdom TW8 9GS

ViiV Healthcare Limited
Contents

Strategic Report	3
Directors' report	6
Independent auditors' report	10
Consolidated income statement	12
Consolidated statement of comprehensive income	12
Consolidated balance sheet	13
Core results reconciliation	14
Consolidated statement of changes in equity	16
Consolidated cash flow statement	17
Notes to the financial statements	18
Financial statements of ViiV Healthcare Limited prepared under UK GAAP	63

ViiV Healthcare Limited
Strategic report for the year ended 31st December 2013

In this report "ViiV Healthcare" or the "Group" means ViiV Healthcare Limited and its subsidiary undertakings The "Company" means ViiV Healthcare Limited

The Directors submit their Strategic Report, Directors' Report, and the audited consolidated financial statements for ViiV Healthcare for the year ended 31st December 2013

Review of business

Financial highlights

During the year the Group's turnover increased to £1,371 million (2012 £1,337 million), and profit after tax reduced to £190 million (2012 £492 million), driven by movements in non-core items Core operating profit before tax increased to £876 million (2012 £797 million), driven mainly by the increase in turnover, and savings on royalties within cost of sales Core performance is defined on page 18 and a reconciliation of core results to total results is set out on page 14

The Group continued to generate cash from operating activities of £617 million (2012 £620 million) whilst returning £652 million (2012 £343 million) to shareholders through ordinary and preferential dividend payments Cash and cash equivalents reduced from £756 million to £675 million

The Group's results for the year can be found on pages 12-17

Operational highlights

There was strong growth from *Epzicom/Kivexa* (up 15% to £748 million) and *Selzentry/Celsentri* (up 18% to £144 million) *Epzicom/Kivexa* is performing particularly well across all regions of the business, reflecting increased confidence in the marketplace and enhanced position in local guidelines in both North America and Europe

The highlight of 2013 was the approval of *Tivicay* in the USA in August Physician response to *Tivicay* has been extremely positive and the product launch trajectory is on pace with the best recent launches in the HIV space *Tivicay* recorded turnover of £19 million in 2013

Regionally, turnover in North America grew, driven by good performance of *Epzicom* and *Selzentry*, together with the launch of *Tivicay* Reported turnover for 2013 also included the release of £43m of prior year provisions for returns and rebates in the USA, related to a change in estimates in light of new information In Europe turnover declined, with the arrival of generic competition to *Combivir* offsetting strong growth for *Kivexa* In our International region turnover also declined, with an increase in generic competition for the mature portfolio balanced by strong growth for *Kivexa* in Latin America, Japan and Russia

ViiV Healthcare has generic competition in the USA to four of its products, *Combivir, Epivir, Ziagen, and Trizivir* which saw generic competition for the first time in December 2013

Key performance indicators

The key performance indicators for the Group are considered to be turnover, core operating profit and profit after tax Details can be found in the financial highlights section above

Strategy and Business Model

The Group's strategic goal is to become the leading HIV company, and the partner of choice Strategic priorities are

- Establish the ViiV integrase inhibitor portfolio as the heart of HIV care

- Establish meaningful partnerships – with business partners, academia and the HIV community
- Drive innovation in HIV R&D
- Leave no HIV patient behind
- Embrace a challenger mindset

The Group's business model is to be a global specialist HIV company, dedicated to delivering advances in treatment and care to people living with HIV The Group's research and development and manufacturing activities are managed by ViiV Healthcare through contracts with its shareholders Commercialisation and distribution activities are managed by ViiV group companies in 15 major countries, and through the GlaxoSmithKline group of companies ("GSK") as a distributor in other countries

Principal risks and uncertainties

The business is subject to certain risks inherent in the pharmaceutical industry and specific risks associated with being concentrated in a single therapeutic area

Each year, the ViiV Executive Team reviews the risks facing the Group and agrees a list of most significant risks – referred to as Principal risks – that require particular attention from a Group perspective including those that could cause our actual results to differ materially from expected and historical results A summary of our Principal risks is set out below,

Product Quality

Failure to comply with good manufacturing practice regulations by GSK, Pfizer Inc("Pfizer"),, and other third party suppliers

Corporate Governance & Risk Management

Failure to embed risk management principles, and implement an adequate and effective escalation and governance framework

Supply Chain Continuity

Failure of GSK, Pfizer, and other third-party suppliers to deliver a continuous supply of finished product

Patient Safety

Failure of ViiV Healthcare, GSK, Pfizer and other third-parties to appropriately detect, report, and manage adverse event or safety data for marketed and pipeline products

Commercial Practices and Scientific Engagement

Failure to comply with healthcare and consumer protection laws in place to ensure balanced information is communicated in accordance with the product label, inappropriate utilisation is not encouraged (including pre-approval promotion) and inappropriate payments are not made to healthcare professionals

Intellectual Property

Failure to appropriately secure and protect intellectual property rights

Government Policy

Inability to sufficiently manage changes in government policy including pricing, reimbursement schemes, and compulsory licensing

Corrupt Practices

Failure to comply with anti-corruption laws designed to ensure inappropriate payments are not made to government officials by ViiV Healthcare or third-parties acting on ViiV Healthcare's behalf

Research and Development

The Group is responsible for initiating and funding research and development activities, which are carried out by GSK, Pfizer and Shionogi & Co , Ltd ("Shionogi") and their affiliates

In 2013, regulatory approval was obtained in USA, Canada and Chile for *Tivicay* On November 22, 2013, the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) issued a positive opinion recommending marketing authorisation of *Tivicay* Regulatory submissions for a fixed-dose combination with *Dolutegravir* and *Epzicom/Kivexa* in Europe, the USA and Canada were completed in October 2013 Phase II trials of an investigational integrase inhibitor (GSK1265744) investigating oral and long-acting parenteral formulations are ongoing

Access and Care

Providing a comprehensive, sustainable approach to improving access to HIV medicines remains a key priority for ViiV Healthcare This commitment covers 139 countries including middle-income countries, low-income countries, least developed countries and sub-Saharan Africa ViiV Healthcare offers royalty-free voluntary licences in all low-income and least developed countries and in sub-Saharan Africa, where 75% of all people with HIV currently live In middle-income countries the approach is on a case-by-case basis, taking into account the local needs, to improve affordability All marketed and pipeline HIV medicines are covered by ViiV Healthcare's access policy

In addition, we have a number of community initiatives in place and currently support over 300 projects around the world through Positive Action, the Positive Action for Children Fund and our Paediatric Innovation Seed Fund Charitable donations of £12 7 million (2012 £11 0 million) were made via the Positive Action for Children Fund and other grants

Since 1992, the Positive Action programme has supported those communities around the world that are most affected by HIV During 2013, through our Positive Action Southern Initiative and local grants and donations, we committed over $2 3 million towards funding grassroots projects in the USA, addressing gaps in care and services for people living with or at risk from HIV/AIDS For example, we have provided a grant to the San Antonio AIDS Foundation in Texas, to enhance their medical case management programme, and to the AIDS/HIV Services Group in Virginia to help them expand their support programmes to include mental health counselling

Addressing paediatric HIV is an important area of focus We continue to support the Paediatric Innovation Seed Fund, which invested over £1 million on five projects during 2013, including a collaboration with the Clinton Health Access initiative and Mylan Pharmaceuticals This partnership aims to produce a taste-masked, dispersible medicines for paediatric use and in November 2013, Mylan filed a regulatory dossier to the World Health Organisation pre-qualification regulatory approval procedure

On behalf of the Board

D Limet

Director

27th March 2014

Principal activities

ViiV Healthcare is a specialist HIV group of companies focused solely on the research, development and commercialisation of HIV medicines On 12th August 2013 ViiV Healthcare received FDA approval for *Tivicay* in the US This resulted in an equity shift of 0 9% from Pfizer to GSK as per the shareholders agreement The economic interest in the Group is now held 77 4% by GSK, 12 6% by Pfizer and 10% by Shionogi

The Group continues to have ongoing arrangements with GSK, Pfizer and Shionogi as disclosed in Note 23

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

The Company is domiciled within the UK The activities of the Company are those of the holding company

Results and dividends

The Group's results for the financial year are shown in the consolidated income statement on page 12

The Directors propose an interim ordinary dividend of £370 million in respect of the year ended 31st December 2013 being £40,845 per Class A Share, £16,149 per Class B Share, £15,592 per Class C Share, £66,664 per Class D2 Share and a preferential dividend of £61m being £6,934 per Class A Share, £4,020 per Class B Share, £4,040 per Class C Share and £173 per Class D1 Share The dividend has been calculated in accordance with the revised methodology agreed by the Board on 26th September 2013

The Directors proposed and paid two interim ordinary dividends amounting to £634 million and one preferential dividend of £18 million in respect of the year ended 31st December 2012 The first interim ordinary dividend of £450 million being £55,036 per Class A Share, £22,194 per Class B Share and £21,429 per Class C Share was paid on the 21st March 2013 The second interim ordinary dividend of £184 million being £22,193 per Class A Share, £8,950 per Class B Share, £8,641 per Class C Share and £5,570 per Class D2 Share was paid on the 28th June 2013

Directors' indemnity

The service contract of each of the Directors of the Group contains an indemnity in respect of liabilities arising out of third party proceedings to which he or she is party by reason of his or her engagement in the business of the Group In addition, the parent company (ViiV Healthcare Limited) has provided indemnities to those of its employees who serve as Directors of certain other Group undertakings These indemnities are in respect of liabilities arising out of third party proceedings to which the relevant individual is a party by reason of his or her engagement in the business of the Group undertaking

Directors

The Dırectors of the Company who were ın office durıng the year and up to the date of sıgnıng the financıal statements were as follows

D Gıordano	
Z Hong	
A Hussaın	
J Keller	
D Lımet	
A Mackenzıe	
I McCubbın	
D Redfern	
J Shannon	Appoınted on 11th June 2013
I Tomlınson	Appoınted on 5th December 2013
E Strahlman	Resıgned on 19th March 2013
D Learmouth	Resıgned on 1st November 2013

Employees

An extensıve programme of open, two-way communıcatıons stımulates employee engagement ın the Group's strategy and day-to-day operatıons Thıs ıncludes the publıcatıon of regular summary reports from the Group's management meetıngs, a Group-wıde ıntranet, town hall meetıngs and vıdeo conferences Lıve vıdeo streamıng and vıdeo on demand optıons have been developed as addıtıonal means of ensurıng employees have access to the most senıor levels of management, and as powerful tools for buıldıng culture and drıvıng alıgnment across common goals The programme also ınvolves consultatıon wıth employees on a regular basıs so that the vıews of employees can be taken ınto account ın makıng decısıons that are lıkely to affect theır ınterests and achıevıng a common awareness of all employees of the fınancıal and economıc factors that affect the Group's performance

Share ownershıp schemes encourage partıcıpatıon as shareholders ın GlaxoSmıthKlıne plc, the ultımate parent company of the Group, ıncreasıng awareness of short and long term busıness objectıves Global employee opınıon surveys allow employees the opportunıty to express theır vıews and perspectıves on ımportant company ıssues

The Group ıs commıtted to employment polıcıes free from dıscrımınatıon agaınst potentıal or exıstıng staff on the grounds of age, race, ethnıc and natıonal orıgın, gender, sexual orıentatıon, faıth or dısabılıty

In partıcular the Group ıs commıtted to offerıng people wıth dısabılıtıes access to the full range of recruıtment and career opportunıtıes Every effort ıs made to retaın and support staff who become dısabled whıle workıng for the Group

Polıtıcal donatıons

The Group made no polıtıcal donatıons durıng the year (2012 nıl)

Financial instruments

Information regarding the Group's risk exposure to and management of financial instruments is disclosed in Note 27 to the financial statements

Directors' statement of responsibilities in relation to the Group financial statements

The Directors are responsible for preparing the Annual Report and the Group 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 Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union In preparing the Group financial statements, the Directors have also elected to comply with IFRS, as issued by the International Accounting Standards Board (IASB) Under company law the Directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period

In preparing those 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, and
- state whether IFRS as adopted by the European Union and IFRS as issued by the IASB have been followed, subject to any material departures disclosed and explained in the Group financial statements

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 Group and to enable them to ensure that the Group financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Disclosure of information to auditors

The Directors in office at the date of this Report have each confirmed that

- so far as he or she is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- he or she has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006

Going concern basis

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future For this reason, they continue to adopt the going concern basis in preparing the financial statements

Independent auditors

PricewaterhouseCoopers LLP are willing to continue in office as auditors and resolutions dealing with their reappointment and remuneration will be proposed at a General Meeting of the Group

On behalf of the Board

D Limet

Director

27th March 2014

VIIV Healthcare Limited

Independent auditors' report to the members of VIIV Healthcare Limited

Report on the group financial statements

Our opinion

In our opinion the group financial statements, defined below

- give a true and fair view of the state of the group's affairs as at 31 December 2013 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

This opinion is to be read in the context of what we say in the remainder of this report

What we have audited

The group financial statements (the "financial statements") for the year ended 31 December 2013, which are prepared by VIIV Healthcare Limited, comprise

- Consolidated balance sheet as at 31 December 2013,
- Consolidated income statement for the year then ended,
- Consolidated statement of comprehensive income for the year then ended,
- Consolidated statement of changes in equity for the year then ended,
- Consolidated cash flow statement for the year then ended, and
- related notes

The financial reporting framework that has been applied in their preparation comprises applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates In making such estimates, they have made assumptions and considered future events

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)') An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of

- whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed,
- the reasonableness of significant accounting estimates made by the directors, and
- the overall presentation of the financial statements

In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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

Other matters on which we are required to report by exception

Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit We have no exceptions to report arising from this responsibility

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made We have no exceptions to report arising from this responsibility

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' statement of responsibilities set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

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

Other matters

We have reported separately on the parent company financial statements of ViiV Healthcare Limited for the year ended 31st December 2013

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

27th March 2014

ViiV Healthcare Limited
Consolidated income statement
For the year ended 31st December 2013

	Notes	2013 £'000	2012 £'000
Turnover	5	**1,371,000**	1,337,449
Cost of sales		**(238,759)**	(238,099)
Gross profit		**1,132,241**	1,099,350
Selling, general and administration		**(476,431)**	(256,846)
Research and development		**(101,479)**	(343,782)
Gain on acquisition of former joint venture	25	-	517,392
Operating profit	6	**554,331**	1,016,114
Share of after tax profits/(losses) of joint ventures	10	**528**	(33,290)
Loss on dissolution of joint venture	10	**(2,854)**	-
Finance income	8	**2,225**	2,849
Finance expense	9	**(218,395)**	(344,624)
Profit before taxation		**335,835**	641,049
Taxation	11	**(145,486)**	(148,810)
Profit after taxation for the year		**190,349**	492,239

Consolidated statement of comprehensive income

For the year ended 31st December 2013

	2013 £'000	2012 £'000
Profit for the year	**190,349**	492,239
Items that may be subsequently reclassified to income statement		
Exchange movements on overseas net assets	**(9,286)**	(10,772)
Tax on exchange movements	**(1,277)**	-
Items that will not be reclassified to income statement		
Actuarial gain/(loss) on defined benefit plans	**1,751**	(1,225)
Deferred tax on actuarial movements in defined benefit plans	**(232)**	143
Other comprehensive loss for the year	**(9,044)**	(11,854)
Total comprehensive income for the year	**181,305**	480,385

ViiV Healthcare Limited
Consolidated balance sheet
As at 31st December 2013

	Notes	2013 £'000	2012 £'000
Non-current assets			
Property, plant and equipment		**1,433**	1,004
Goodwill	13	**203,733**	203,179
Other intangible assets	14	**2,006,387**	2,047,388
Investments in joint ventures	10	**-**	4,454
Deferred tax assets	11	**60,919**	67,215
Other non-current assets		**81**	152
Total non-current assets		**2,272,553**	2,323,392
Current assets			
Inventories	15	**21,077**	16,458
Current tax recoverable		**37,865**	-
Trade and other receivables	16	**260,859**	272,002
Derivative financial assets	27	**2,415**	817
Cash and cash equivalents	17	**675,359**	755,812
Total current assets		**997,575**	1,045,089
Total assets		**3,270,128**	3,368,481
Current liabilities			
Short-term borrowings and overdrafts		**(514)**	(8,858)
Trade and other payables	18	**(453,211)**	(405,500)
Derivative financial liabilities	27	**(169)**	(233)
Current tax payable		**(4,407)**	(6,506)
Short-term provisions	19	**(4,701)**	(876)
Total current liabilities		**(463,002)**	(421,973)
Non-current liabilities			
Long-term borrowings		**(752)**	(414)
Deferred tax liabilities	11	**(185,653)**	(272,707)
Other provisions	19	**(6,666)**	(10,173)
Other non-current liabilities	20	**(2,060,439)**	(1,656,349)
Total non-current liabilities		**(2,253,510)**	(1,939,643)
Total liabilities		**(2,716,512)**	(2,361,616)
Net assets		**553,616**	1,006,865
Equity			
Share capital	21	**11**	11
Share premium		**341,000**	341,000
Retained earnings		**1,485,016**	1,741,140
Merger reserve		**(78,558)**	(78,702)
Other reserves		**(1,193,853)**	(996,584)
Total equity		**553,616**	1,006,865

The financial statements on pages 12 to 65 were approved by the Board of Directors on 27th March 2014 and signed on its behalf by

D Limet
Director

ViiV Healthcare Limited
Core results reconciliation
For the year ended 31st December 2013

	Note	**Core Results**	Intangible amortisation	Intangible write-off	Preferential dividend re-measurement	Contingent consideration re-measurement	Loss on dissolution of joint venture	**Total 2013 results**
		£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
Turnover		**1,371,000**	-	-	-	-	-	**1,371,000**
Cost of sales		**(170,511)**	(55,889)	(12,359)	-	-	-	**(238,759)**
Gross Profit		**1,200,489**	**(55,889)**	**(12,359)**	-	-	-	**1,132,241**
Selling, general and administration		**(223,201)**	-	-	-	(253,230)	-	**(476,431)**
Research and development		**(101,479)**	-	-	-	-	-	**(101,479)**
Operating profit		**875,809**	**(55,889)**	**(12,359)**	-	**(253,230)**	-	**554,331**
Share of after tax profits of joint venture	10	**528**	-	-	-	-	-	**528**
Loss on dissolution of joint venture		-	-	-	-	-	(2,854)	**(2,854)**
Finance Income	8	**2,225**	-	-	-	-	-	**2,225**
Finance expense	9	**(3,244)**	-	-	(215,151)	-	-	**(218,395)**
Profit before taxation		**875,318**	**(55,889)**	**(12,359)**	**(215,151)**	**(253,230)**	**(2,854)**	**335,835**
Taxation		**(239,430)**	(18,650)	2,413	-	110,181	-	**(145,486)**
Profit after taxation for the year		**635,888**	**(74,539)**	**(9,946)**	**(215,151)**	**(143,049)**	**(2,854)**	**190,349**

ViiV Healthcare Limited
Core results reconciliation
For the year ended 31st December 2012

	Note	**Core Results**	Intangible amortisation	Intangible write-off	Preferential dividend re-measurement	Contingent consideration re-measurement	Acquisition adjustment	**Total 2012 results**
		£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
Turnover		**1,337,449**	-	-	-	-	-	**1,337,449**
Cost of sales		**(205,451)**	(32,648)	-	-	-	-	**(238,099)**
Gross Profit		**1,131,998**	**(32,648)**	-	-	-	-	**1,099,350**
Selling, general and administration		**(245,953)**	-	-	-	(10,893)	-	**(256,846)**
Research and development		**(89,244)**	-	(254,538)	-	-	-	**(343,782)**
Gain on acquisition of joint venture	25	-	-	-	-	-	517,392	**517,392**
Operating profit		**796,801**	**(32,648)**	**(254,538)**	-	**(10,893)**	**517,392**	**1,016,114**
Share of after tax profits of joint venture	10	**(33,290)**	-	-	-	-	-	**(33,290)**
Finance Income	8	**2,849**	-	-	-	-	-	**2,849**
Finance expense	9	**(3,958)**	-	144,986	(485,652)	-	-	**(344,624)**
Profit before taxation		**762,402**	**(32,648)**	**(109,552)**	**(485,652)**	**(10,893)**	**517,392**	**641,049**
Taxation		**(231,781)**	13,531	63,600	-	-	5,840	**(148,810)**
Profit after taxation for the year		**530,621**	**(19,117)**	**(45,952)**	**(485,652)**	**(10,893)**	**523,232**	**492,239**

ViiV Healthcare Limited
Consolidated statement of changes in equity
For the year ended 31st December 2013

	Share capital £'000	Retained earnings £'000	Share Premium £'000	Merger reserve £'000	Other reserves £'000	**Total equity £'000**
At 1st January 2012	10	1,225,608	-	(78,349)	(655,783)	**491,486**
Issue of shares	1	-	341,000		-	**341,001**
Profit for the year	-	492,239	-	-	-	**492,239**
Other comprehensive(loss)/ income for the year	-	(11,501)	-	(353)	-	**(11,854)**
Total comprehensive income/(loss) for the year	11	1,706,346	341,000	(78,702)	(655,783)	**1,312,872**
Transfer of finance expense related to preferential dividend	-	340,666	-	-	(340,666)	-
Preferential dividend to Shareholders	-	(36,865)	-	-	36,865	-
Shionogi preferred ordinary dividend	-	37,000	-	-	(37,000)	-
Ordinary dividends to shareholders	-	(306,007)	-	-	-	**(306,007)**
At 31st December 2012	**11**	**1,741,140**	**341,000**	**(78,702)**	**(996,584)**	**1,006,865**
Profit for the year	-	190,349	-	-	-	**190,349**
Other comprehensive (loss)/income for the year	-	(9,188)	-	144	-	**(9,044)**
Total comprehensive income/(loss) for the year	11	1,922,301	341,000	(78,558)	(996,584)	**1,188,170**
Transfer of finance expense related to preferential dividend	-	215,151	-	-	(215,151)	-
Preferential dividend to Shareholders	-	(17,882)	-	-	17,882	-
Ordinary dividends to shareholders	-	(634,554)	-	-	-	**(634,554)**
At 31st December 2013	**11**	**1,485,016**	**341,000**	**(78,558)**	**(1,193,853)**	**553,616**

Other reserves represents the preferential dividends payable to shareholders (Note 18 and 20) and additional value attributed to the original contribution of the former GSK HIV business in Canada in October 2009 following finalisation of the value of the contribution at that date

Other reserves do not affect the calculation of the Company's realised profits available for distribution

ViiV Healthcare Limited
Consolidated cash flow statement
For the year ended 31st December 2013

	Notes	2013 £'000	2012 £'000
Cash flow from operating activities			
Profit after taxation for the year		**190,349**	492,239
Adjustments reconciling profit after tax to operating cash flows	24	**693,579**	387,078
Cash generated from operations		**883,928**	879,317
Taxation paid		**(266,450)**	(259,071)
Net cash inflow from operating activities		**617,478**	620,246
Cash flow from investing activities			
Purchase of property, plant and equipment		**(1,614)**	(545)
Proceeds from sale of property, plant and equipment		**310**	198
Capital expenditure on intangible assets		**(29,199)**	(2,591)
Interest received		**1,698**	1,885
Cash returned to shareholders on dissolution of joint venture		**1,909**	7,392
Investment in joint ventures		**(1,037)**	(39,451)
Dividends received from joint ventures	10	**1,255**	2,418
Net cash outflow from investing activities		**(26,678)**	(30,694)
Cash flow from financing activities			
Net repayment of obligation under finance leases		**(451)**	(258)
Interest paid		**(2,752)**	(3,120)
Dividends paid to shareholders		**(652,436)**	(342,872)
Other financing items		**(6,873)**	(4,438)
Net cash outflow from financing activities		**(662,512)**	(350,688)
(Decrease)/Increase in cash and bank overdrafts		**(71,712)**	238,864
Exchange adjustments		**(250)**	(9,967)
Cash and bank overdrafts at beginning of year		**747,254**	518,357
Cash and bank overdrafts at end of year		**675,292**	747,254
Cash and bank overdrafts at end of year comprise			
Cash and cash equivalents	17	**675,359**	755,812
Overdrafts		**(67)**	(8,558)
		675,292	747,254

1. Presentation of the financial statements

Description of business

ViiV Healthcare is a specialist HIV group of companies focused solely on the research, development and commercialisation of HIV medicines On 12th August 2013 ViiV Healthcare received FDA approval for *Tivicay* in the US This resulted in an equity shift of 0 9% from Pfizer to GSK as per the shareholder's agreement The economic interest in the Group is now held 77 4% by GSK, 12 6% by Pfizer and 10% by Shionogi

Compliance with applicable law and IFRS

The financial statements have been prepared in accordance with the Companies Act 2006, Article 4 of the IAS Regulation and International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) and related interpretations, as adopted by the European Union

The financial statements are also in compliance with IFRS as issued by the International Accounting Standards Board

Composition of financial statements

The consolidated financial statements are drawn up in Sterling, the functional currency of ViiV Healthcare Limited, and in accordance with IFRS accounting presentation The financial statements comprise

- Consolidated income statement
- Consolidated statement of comprehensive income
- Consolidated balance sheet
- Consolidated statement of changes in equity
- Consolidated cash flow statement
- Notes to the financial statements

Core results reporting

Core results reporting aligns business performance reporting around the underlying trading performance of the Group and its primary growth drivers by removing the volatility inherent in many of the non-core items Core results reporting is utilised as the basis for internal performance reporting and the core results are presented in the Core results reconciliation as management believes that this approach provides shareholders with a clearer view of the underlying trading performance of the Group The Core results reconciliation also presents and discusses the total results of the Group The core results are not defined under IFRS and they may not be directly comparable with other companies' adjusted measures

Core results exclude the following items from total results amortisation and impairment of intangible assets (excluding computer software and capitalised development costs), preferential dividend and contingent consideration re-measurement, acquisition accounting adjustments for material business acquisitions and losses on joint venture dissolution together with the tax effects of these items

Reconciliations of core results to total results are presented on page 14

Accounting convention

The financial statements have been prepared using the historical cost convention, as modified by the revaluation of certain items, as stated in the accounting policies

Financial period

These financial statements cover the financial year from 1st January to 31st December 2013, with comparative figures for the financial year from 1st January to 31st December 2012

Composition of the Group

A list of the subsidiary and associated undertakings which, in the opinion of the Directors, principally affected the amount of profit or the net assets of the Group is given in Note 30, 'Principal Group companies'

Accounting principles and policies

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of turnover and expenses during the reporting period Actual results could differ from those estimates

The financial statements have been prepared in accordance with the Group's accounting policies approved by the Board and described in Note 2, 'Accounting principles and policies' Information on the application of these accounting policies, including areas of estimation and judgement is given in Note 3, 'Key accounting judgements and estimates'

Implementation of new accounting standards

With effect from 1 January 2013, ViiV Healthcare Limited has implemented the following new or amended accounting standards

New IFRS - IFRS 10 "Consolidated financial statements", IFRS 11 "Joint arrangements", IFRS 12 "Disclosure of interest in other entities" and IFRS 13 "Fair value measurement"

Amendments - IFRS 7 "Disclosures – Offsetting financial assets and financial liabilities", IAS 1 "Items of other comprehensive income", IAS 19 "Employee benefits", IAS 28 "Investments in associates and joint ventures"

The Group has also adopted early an amendment to IAS 36 'Impairment of Assets' in relation to recoverable amount disclosures for non-financial assets, with effect from 1 January 2013

These revisions had no material impact on the current year

Parent company financial statements

The financial statements of the parent company, ViiV Healthcare Limited, have been prepared in accordance with UK GAAP and with UK accounting presentation The company balance sheet is presented on page 66 and the accounting policies are given on page 67

2. Accounting principles and policies

Consolidation

The consolidated financial statements include

- the assets and liabilities, and the results and cash flows, of the Company and its subsidiaries, and
- the Group's share of the results and net assets of joint ventures

The financial statements of entities consolidated are made up to 31st December each year

ViiV Healthcare Limited is a private limited company incorporated in the United Kingdom

Entities over which the Group has the power to direct the relevant activities so as to affect the returns to the Group, generally through control over the financial and operating policies, are accounted for as subsidiaries Where the Group has the ability to exercise joint control over, and rights to the net assets of, entities, the entities are accounted for as joint ventures Where the Group has the ability to exercise joint control over an arrangement, but has rights to specified assets and obligations for specified liabilities of the arrangement, the arrangement is accounted for as a joint operation Where the Group has the ability to exercise significant influence over entities, they are accounted for as associates The results and assets and liabilities of associates and joint ventures are incorporated into the consolidated financial statements using the equity method of accounting The Group's rights to assets, liabilities, revenue and expenses of joint operations are included in the consolidated financial statements in accordance with those rights and obligations

Interests acquired in entities are consolidated from the date the Group acquires control and interests sold are de-consolidated from the date control ceases

Transactions and balances between subsidiaries are eliminated and no profit before tax is taken on sales between subsidiaries until the products are sold to customers outside the Group The relevant proportion of profits on transactions with joint ventures is also deferred until the products are sold to third parties Deferred tax relief on unrealised intra-Group profit is accounted for only to the extent that it is considered recoverable

Goodwill arising on the acquisition of interests in subsidiaries and joint ventures, representing the excess of the acquisition cost over the Group's share of the fair values of the identifiable assets, liabilities and contingent liabilities acquired, is capitalised as a separate item in the case of subsidiaries and as part of the cost of investment in the case of joint ventures Goodwill is denominated in the currency of the operation acquired Where the cost of acquisition is below the fair value of the net assets acquired, the difference is recognised directly in the income statement

Business combinations

Business combinations are accounted for using the acquisition accounting method Identifiable assets, liabilities and contingent liabilities acquired are measured at fair value at acquisition date The consideration transferred is measured at fair value and includes the fair value of any contingent consideration The costs of acquisition are charged to the income statement in the period in which they are incurred

Foreign currency translation

Foreign currency transactions are booked in the functional currency of the Group company at the exchange rate ruling on the date of transaction Foreign currency monetary assets and liabilities are retranslated into the functional currency at rates of exchange ruling at the balance sheet date Exchange differences are included in the income statement

On consolidation, assets and liabilities, including related goodwill, of overseas subsidiaries and joint ventures, are translated into Sterling at rates of exchange ruling at the balance sheet date The results and cash flows of overseas subsidiaries and joint ventures are translated into Sterling using average rates of exchange

Exchange adjustments arising when the opening net assets and the profits for the year retained by overseas subsidiaries and joint ventures are translated into Sterling are taken to a separate component of equity

Turnover

Turnover is recognised in the income statement when goods or services are supplied or made available to external customers against orders received, title and risk of loss is passed to the customer, reliable estimates can be made of relevant deductions and all relevant obligations have been fulfilled, such that the earnings process is regarded as being complete Turnover represents net invoice value after the deduction of discounts and allowances given and accruals for estimated future rebates and returns The methodology and assumptions used to estimate rebates and returns are monitored and adjusted regularly in the light of contractual and legal obligations, historical trends, past experience and projected market conditions Market conditions are evaluated using wholesaler and other third party analyses, market research data and internally generated information Value added tax and other sales taxes are excluded from turnover

Expenditure

Expenditure is recognised in respect of goods and services received when supplied in accordance with contractual terms Provision is made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated Advertising and promotion expenditure is charged to the income statement as incurred Shipment costs on intercompany transfers are charged to cost of sales, distribution costs on sales to customers are included in selling, general and administrative ("SG&A") expenditure

Research and development

Research and development ("R&D") expenditure is charged to the income statement in the period in which it is incurred, except that 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

Pensions and other post-employment benefits

The costs of providing pensions under defined benefit schemes are calculated using the projected unit credit method and spread over the period during which benefit is expected to be derived from the employees' services, consistent with the advice of qualified actuaries Pension obligations are measured as the present value of estimated future cash flows discounted at rates reflecting the yields of high quality corporate bonds Pension scheme assets are measured at fair value at the balance sheet date

The costs of other post-employment liabilities are calculated in a similar way to defined benefit pension schemes and spread over the period during which benefit is expected to be derived from the employees' services, in accordance with the advice of qualified actuaries

Actuarial gains and losses and the effect of changes in actuarial assumptions, are recognised in the statement of comprehensive income in the year in which they arise

The Group's contributions to defined contribution plans are charged to the income statement as incurred

Employee share plans

Incentives in the form of shares in the Group's ultimate parent company, GlaxoSmithKline plc, are provided to employees under share option and share award schemes These schemes are operated by GSK affiliates The fair values of these options and awards are calculated at their grant dates using a Black-Scholes option pricing model and charged to the income statement over the relevant vesting periods At the end of each reporting period, the Group revises its charge based on the number of options expected to vest, where appropriate

Dividends

Final dividends arising on ordinary shares are recognised upon shareholder approval Interim dividends arising on ordinary dividends are recognised when paid

Preferential dividends are contingent on the achievement of certain performance criteria on assets provided by, or acquired from, GSK, Pfizer and Shionogi affiliates Once earned, preferential dividends are payable in full, prior to the payment of any ordinary dividend Any amounts that cannot be paid due to insufficient distributable reserves will be carried forward to future years and will be paid in preference to any subsequently declared dividend

Preferential dividends are recognised as liabilities, reported at amortised cost and re-measured at each reporting date to reflect any changes in expectation of the amounts to be paid Changes to the carrying value of these liabilities are recognised in the income statement within financial expense

Leases

Leasing agreements which transfer to the Group substantially all the benefits and risk of ownership of an asset are treated as finance leases, as if the asset had been purchased outright All other leases are operating leases and the rental costs are charged to the income statement on a straight-line basis over the lease term

Goodwill

Goodwill is stated at cost less impairments Goodwill is deemed to have an indefinite useful life and is tested for impairment annually

Other intangible assets

Intangible assets are stated at cost less provisions for amortisation and impairments

Licences, patents, know-how and marketing rights separately acquired or acquired as part of a business combination are amortised over their estimated useful lives, generally not exceeding 25 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 certain

Any development costs incurred by the Group and associated with acquired licences, patents, know-how or marketing rights are written off to the income statement 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

Impairment of non-current assets

The carrying values of all non-current assets are reviewed for impairment when there is an indication that the assets might be impaired Any provision for impairment is charged to the income statement in the year concerned Impairments of goodwill are not reversed Impairment losses on other non-current assets are only reversed if there has been a change in estimates used to determine recoverable amounts and only to the extent that the revised recoverable amounts do not exceed the carrying values that would have existed, net of depreciation or amortisation, had no impairments been recognised

Investments in joint ventures

Investments in joint ventures are accounted for using the equity method The investments are carried in the consolidated balance sheet at the Group's share of their net assets at date of acquisition and of their post-acquisition retained profits or losses together with any goodwill arising on the acquisition

Inventories

Inventories are included in the financial statements at the lower of cost (including raw materials, direct labour, other direct costs and related production overheads) and net realisable value Cost is generally determined on a first in, first out basis Pre-launch inventory is held as an asset when there is a high probability of regulatory approval for the product Before that point a provision is made against the carrying value to its recoverable amount, the provision is then reversed at the point when a high probability of regulatory approval is determined

Trade receivables

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

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

Trade payables

Trade payables are held at amortised cost which equates to nominal value Long-term payables are discounted where the effect is material

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, current balances with banks and similar institutions and highly liquid investments with maturities of three months or less They are readily convertible into known amounts of cash and have an insignificant risk of changes in value

Taxation

Current tax is provided at the amounts expected to be paid applying tax rates that have been enacted or substantively enacted by the balance sheet date

Deferred tax is provided in full, using the liability method, 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 and joint ventures, except where the timing of the reversal of the temporary difference 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

Derivative financial instruments and hedging

Derivative financial instruments are used to manage exposure to market risks from treasury operations The principle derivative instrument used by the Group is forward foreign exchange contracts The Group does not hold or issue derivative financial instruments for trading or speculative purposes

Derivative financial instruments are classified as held-for-trading and are carried in the balance sheet 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

Discounting

Where the time effect of money is material, balances are discounted to current values using appropriate rates of interest The re-measurement of the discounts is recorded in finance income, finance expense and selling, general and administration

New accounting requirements

The following new and amended accounting standards and IFRIC interpretations have been issued by the IASB and are likely to affect future Annual Reports, although in their current forms, none is expected to have a material impact on the results or financial position of the Group

New IFRSs		**Effective for periods beginning on or after**
IFRS 9	Financial instruments	
Amendments and revisions to IFRSs		
IAS 32	Financial instruments Presentation	1st January 2014
IAS 19	Defined benefit plans Employee contributions	1st January 2015

3. Key accounting judgements and estimates

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

Turnover

Turnover is recognised when the title and risk of loss is passed to the customer, reliable estimates can be made of relevant deductions, and all relevant obligations have been fulfilled, such that the earnings process is regarded as being complete Gross turnover is reduced by rebates, discounts, allowances and product returns given or expected to be given, which vary by product arrangements and buying groups These arrangements with purchasing organisations are dependent upon the submission of claims some time after the initial recognition of the sale Accruals are made at the time of sale for the estimated rebates, discounts or allowances payable or returns to be made, based on available market information and historical experience

Because the amounts are estimated they may not fully reflect the final outcome, and the amounts are subject to change dependent upon, amongst other things, the types of buying group and product sales mix

The level of accrual is reviewed and adjusted regularly in the light of contractual and legal obligations, historical trends, past experience and projected market conditions Market conditions are evaluated using wholesaler and other third party analyses, market research data and internally generated information Future events could cause the assumptions on which the accruals are based to change, which could affect the future results of the Group

Taxation

Current tax is provided at the amounts expected to be paid, and deferred tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts, at the rates that have been enacted or substantively enacted by the balance sheet date

The Group believes that it has made adequate provision for any liabilities likely to arise from assessments by turnover authorities Should issues arise, the ultimate liability for such matters may vary from the amounts provided and is dependent upon the outcome of negotiations with the relevant tax authorities or, if necessary, litigation proceedings

Preferential dividends

Preferential dividends are contingent on the achievement of certain performance criteria on assets provided by, or acquired from, GSK, Pfizer and Shionogi affiliates The Group recognises liabilities in respect of these preferential dividends which are reported at amortised cost and re-measured at each reporting date to reflect any changes in expectation of the amounts to be paid (see Note 18 and 20)

Amounts involved in this re-measurement are estimates of future performance, based on available market information and historical performance and therefore may not fully reflect the final dividend amounts paid

Contingent consideration liability

Contingent consideration for the acquisition of the former Shionogi-ViiV Healthcare joint venture is expected to be paid over several years and will vary in line with sales of dolutegravir, for which regulatory applications for marketing approval were approved in the US in August 2013 and in the EU in January 2014 The Group recognises a liability in respect of this contingent consideration which is reported at fair value and re-measured at each reporting date to reflect any changes in expectation of the timing or amount of consideration to be paid (see Note 18 and 20)

Amounts involved in this re-measurement are estimates of future performance, based on available market information and historical performance, and therefore may not fully reflect the final consideration amount paid

Goodwill

Goodwill arising on business combinations is capitalised and allocated to an appropriate cash generating unit It is deemed to have an indefinite life and so is not amortised Annual impairment tests of the relevant cash generating units are performed Impairment tests are based on established market multiples or risk-adjusted future cash flows discounted using appropriate interest rates These future cash flows are based on business forecasts and are therefore inherently judgemental Future events could cause the assumptions used in these impairment tests, as set out in Note 13, 'Goodwill', to change with a consequent adverse effect on the future results of the Group

Other intangible assets

Where intangible assets are acquired by the Group from third parties the costs of acquisition are capitalised Licences to compounds in development are amortised from the point at which they are available for use, over their estimated useful lives, which may include periods of non-exclusivity Estimated useful lives are reviewed annually and impairment tests are undertaken if events occur which call into question the carrying values of the assets

Both initial valuations and valuations for subsequent impairment tests are based on established market multiples or risk-adjusted future cash flows discounted using appropriate interest rates These future cash flows are based on business forecasts and are therefore inherently judgemental Future events could cause the assumptions used in these impairment reviews to change with a consequent adverse effect on the future results of the Group

4. Exchange rates

The Group uses the average of exchange rates prevailing during the year to translate the results and cash flows of overseas subsidiaries and joint ventures into Sterling and year end rates to translate the net assets of those undertakings The currencies which most influence these translations and the relevant exchange rates were

	2013	2012
Average rates.		
£/US$	**1.57**	1 59
£/Euro	**1 18**	1 23
Year end rates:		
£/US$	**1.66**	1 63
£/Euro	**1.20**	1 23

5. Turnover

Turnover by geography	**2013** **£'000**	2012 £'000
North America	**611,039**	571,254
Europe	**520,300**	504,131
International	**233,045**	258,443
Corporate	**6,616**	3,621
	1,371,000	1,337,449

6. Operating profit

	Notes	2013 £'000	2012 (restated) £'000
The following items have been included in operating profit			
Employee costs	7	**82,558**	73,479
Depreciation of property, plant and equipment		**845**	370
Amortisation of intangible assets	14	**57,474**	33,890
Write-off of intangible assets	14	**12,359**	254,538
Gain on acquisition of joint venture	25	**-**	(517,392)
Net foreign exchange (gains)/losses		**(13,600)**	(14,139)
Inventories			
Cost of inventories included in cost of sales		**138,712**	168,065
Operating lease rentals			
Minimum lease payments		**336**	468
Contingent rents		**107**	261
Sub-lease payments		**-**	-
Fees payable to the Company's auditor and its associates			
Audit of parent company and consolidated financial statements		**456**	614
Audit of company's subsidiaries		**316**	340
Audit and audit-related services		**772**	954
Taxation advice		**688**	835
		1,460	1,789

7. Employee costs

All individuals performing service for the Group are employed and remunerated by Group companies A management charge from GlaxoSmithKline Services Unlimited includes an element relating to share based payments, as calculated under IFRS 2 "Share Based Payments"

In addition, GSK affiliates operate pension schemes in which the Group's UK and US employees participate These schemes include defined benefit arrangements where the assets are held independently of the Group's finances and which are funded partly by contributions from members and partly by contributions from the GSK affiliates at rates advised by independent professionally qualified actuaries

The management fee from GSK affiliates includes an element relating to the pension arrangements for the Group's UK and US employees calculated as if the arrangements were on a defined contribution basis The underlying assets and liabilities of the schemes cover a number of UK and US undertakings and cannot readily be split between each Group undertaking on a consistent and reliable basis

Full details of the UK and US pension schemes and employee share schemes can be found in the Annual Report of GlaxoSmithKline plc for the year ended 31st December 2013

The Group also operates some overseas pension arrangements covering obligations to provide pensions to retired employees These arrangements have been developed in accordance with local practices in the countries concerned Pension benefits can be provided by state schemes, by defined contribution schemes, whereby retirement benefits are determined by the value of funds arising from contributions paid in respect of each employee, or by defined benefit schemes, whereby retirement benefits are based on employee pensionable remuneration and length of service

	2013 £'000	2012 £'000
Wages and salaries	**70,418**	57,144
Social security costs	**7,293**	6,836
Other Pension Costs	**799**	1,179
Cost of share-based incentive plans	**3,877**	2,982
Severance and other costs from integration and restructuring activities	**171**	5,338
	82,558	73,479

	2013	2012
The average number of persons employed by the Group (including Directors) during the year	**557**	491

All employees are employed to conduct selling, general and administration activities

The average number of Group employees excludes temporary and contract staff The average number of persons employed by the Company in 2013 was nil (2012 nil)

The compensation of the Directors and Senior Management (members of the ViiV Executive Team) in aggregate was as follows

	2013 £'000	2012 £'000
Wages and salaries	**3,720**	3,481
Social security costs	**195**	279
Pension and other post-employment costs	**653**	506
Cost of share-based incentive plans	**1,439**	985
	6,008	5,251

Only one Director is remunerated by the Group details of which are below

	2013 £'000	2012 (restated) £'000
Aggregate emoluments and benefits	**871**	918
Pension	**211**	234
	1,082	1,152

Retirement benefits accrued under defined benefit schemes sponsored by sister companies within the GSK for one (2012 one) Director

One (2012 one) Director received shares and share options under long term incentive plans in respect of qualifying services to the Group 54,000 share options were exercised during the year (2012 nil)

8. Finance income

	2013 £'000	2012 £'000
Interest income arising from		
Cash and cash equivalents	**2,236**	2,730
Fair value movements on derivatives at fair value through profit or loss	**(11)**	119
	2,225	2,849

All derivatives at fair value through profit or loss are classified as held for trading financial instruments under IAS 39

9. Finance expense

	2013 £'000	2012 £'000
Interest expense arising on		
Financial liabilities at amortised cost	**2,861**	3,547
Fair value movements on derivatives at fair value through profit and loss	**383**	409
Re-measurement of preferential dividends liability	**215,151**	485,654
Release of preferential dividend liability	**-**	(144,986)
	218,395	344,624

The re-measurement of preferential dividends liability was higher in 2012 as a result of progression of pipeline products

10. Joint ventures

	2013 £'000	2012 £'000
At 1st January	**4,454**	8,271
Exchange adjustments	**(1)**	(168)
Additions	**1,037**	39,451
Loss on dissolution of joint venture	**(2,854)**	-
Other movement	**(1,909)**	(7,392)
Dividends received from joint ventures	**(1,255)**	(2,418)
Share of after tax profit/(loss) in joint venture	**528**	(33,290)
At 31st December	-	4,454

Investments in joint ventures at 31st December 2012 related to 50% interest in ViiV Healthcare Shire Canada Inc ("Shire Canada"), which co-marketed *Kivexa*, *Combivir*, *Trizivir* and *Epivir* in Canada During the year, the Group received a dividend of £1 3 million (2012 £2 4 million) from Shire Canada

On 19th May 2013, the joint venture was dissolved Shire Canada sold its 50% share in the joint venture to ViiV Healthcare ULC (" ViiV Canada") for a cash payment equal to 50% of the audited net assets of the partnership as at 19th May 2013 ViiV Canada now own and operate 100% of the existing business and assets of the former partnership

GSK's joint venture interest was transferred from GlaxoSmithKline Inc ("GSK Canada") to ViiV Canada in 2009, at a fair value of £32 million This value was mainly ascribed to the value of the service fees due from the partnership for activities performed by ViiV Canada on behalf of the partnership This created an intangible asset in the ViiV Healthcare financial statements The asset was being amortised and on dissolution, ViiV Canada wrote off the intangible asset, valued at £12 4 million ViiV Canada also recognised a loss of £2 9 million on dissolution of the joint venture

Summarised financial information in respect of the Group's joint ventures is set out below

	2013 £'000	2012 £'000
Income statement		
Turnover	**8,681**	25,433
Expenses	**(7,625)**	(92,013)
Profit/(Loss) after tax	**1,056**	(66,580)
Balance Sheet		
Assets	-	5,567
Liabilities	-	(1,299)
Net Assets	-	4,268

11. Taxation

Taxation charge based on profits for the year	**2013** **£'000**	2012 £'000
UK corporation tax at the UK statutory rate	**59,988**	119,816
Overseas taxation	**167,765**	131,914
Current taxation	**227,753**	251,730
Deferred taxation	**(82,267)**	(102,920)
	145,486	148,810

Reconciliation of the taxation rate on Group profits	**2013** **%**	2012 %
UK statutory rate of taxation	**23.3**	**24.5**
Differences in overseas taxation rates	**19.4**	**4.9**
Changes in tax rates	**(6.8)**	**(1.0)**
Non-taxable income	**(2 3)**	**(3 5)**
Prior year items	**9.8**	**(1.6)**
Tax rate	**43.4**	**23.3**

Tax on items charged to equity and statement of comprehensive income	**2013** **£'000**	2012 £'000
Current taxation		
Foreign exchange movements	**(1,277)**	-
	(1,277)	-
Deferred taxation		
Defined benefit plans	**(232)**	143
	(232)	143
Total (charge) / credit to equity and statement of comprehensive income	**(1,509)**	143

All of the above items have been charged to the statement of comprehensive income

The Group operates in countries where the tax rate differs from the UK tax rate The impact of these overseas taxes on the overall rate of tax is shown above

The Group is required under IFRS to create a deferred tax asset in respect of unrealised intercompany profit arising on inventory held by the Group at the year-end by applying the tax rate of the country in which the inventory is held No provision has been made for taxation which would arise on the distribution of profits retained by overseas subsidiaries The unprovided deferred tax on unremitted earnings at 31 December 2013 is estimated to be £nil (2012 £0 5 million) which relates to taxes repayable on repatriation and dividend withholding taxes levied by overseas tax jurisdictions UK legislation relating to company distributions provides exemption from tax for most repatriated profits, subject to certain exceptions The aggregate amount of these unremitted profits at the balance sheet date was approximately £232 million (2012 £201 million)

Movement in deferred tax assets and liabilities	Accelerated capital allowances £'000	Intangibles and contingent liability £'000	Intra-group profit £'000	Tax losses £'000	Other net temporary differences £'000	Offset within countries £'000	Total £'000
Deferred tax assets at 1st January 2013	356	149,262	30,741	-	41,572	(154,716)	67,215
Deferred tax liabilities at 1st January 2013	-	(427,221)	-	-	(202)	154,716	(272,707)
At 1st January 2013	356	(277,959)	30,741	-	41,370	-	(205,492)
Exchange adjustments	(1)	95	(1,383)	(6)	18	-	**(1,277)**
Credit/(charge) to income statement	16	88,361	(6,214)	12,822	(12,718)	-	**82,267**
Charge to statement of comprehensive income	-	-	-	-	(232)	-	**(232)**
At 31st December 2013	**371**	**(189,503)**	**23,144**	**12,816**	**28,438**	-	**(124,734)**
Deferred tax assets at 31st December 2013	**371**	**271,546**	**23,144**	**12,816**	**28,644**	**(275,602)**	**60,919**
Deferred tax liabilities at 31st December 2013	-	**(461,049)**	-	-	**(206)**	**275,602**	**(185,653)**

The deferred tax credit to income relating to changes in tax rates is £23 0 million (2012 £6 4 million) All other deferred tax movements arise from the origination and reversal of temporary differences Other net temporary differences include accrued expenses and other provisions

At 31st December 2013, the Group had recognised a deferred tax asset of £12 8 million (2012 £nil) in respect of income tax losses of approximately £32 6 million (2012 £nil) The Group had no capital losses at 31st December 2013 Deferred tax assets are recognised where it is probable that future taxable profit will be available to utilise losses

Factors affecting the tax charge in future years

As a global organisation there are many factors which could affect the future effective tax rate of the Group The mix of profits across different territories, transfer pricing and other disputes with tax authorities can all have a significant impact on the Group's effective tax rate

Changes to tax legislation in territories where ViiV Healthcare has business operations could also affect the Group's effective tax rate The UK Government has enacted some significant changes to the UK taxation system In December 2012, the UK Government announced that as part of the ongoing phased reduction in the main rate of corporation tax, the main rate will reduce further to 21% from April 2014 and to 20% from April 2015 In July 2012, the UK Government enacted legislation to introduce a patent box regime which will apply a reduced rate of corporation tax to income from patents with effect from April 2013 The deferred tax movements reflect the reduction in the UK tax rate to 20% and the effect of the patent box as the rate and patent box have been substantively enacted

12. Dividends

The Directors propose an interim ordinary dividend of £370 million in respect of the year ended 31st December 2013 being £40,845 per Class A Share, £16,149 per Class B Share, £15,592 per Class C Share, £66,664 per Class D2 Share and a preferential dividend of £61m being £6,934 per Class A Share, £4,020 per Class B Share, £4,040 per Class C Share and £173 per Class D1 Share The dividend has been calculated in accordance with the revised methodology agreed by the Board on 26th September 2013

The Directors proposed and paid two interim ordinary dividends amounting to £634 million and one preferential dividend of £18 million in respect of the year ended 31st December 2012 The first interim ordinary dividend of £450 million being £55,036 per Class A Share, £22,194 per Class B Share and £21,429 per Class C Share was paid on the 21st March 2013 The second interim ordinary dividend of £184 million being £22,193 per Class A Share, £8,950 per Class B Share, £8,641 per Class C Share and £5,570 per Class D2 Share was paid on the 28th June 2013

13. Goodwill

	2013	2012
	£'000	£'000
Cost at 1st January	**203,179**	210,695
Exchange adjustments	**554**	(7,516)
Cost at 31st December	**203,733**	203,179
Net book value at 1st January	**203,179**	210,695
Net book value at 31st December	**203,733**	203,179

Goodwill predominantly relates to the acquisition of the Pfizer HIV business in 2009

Goodwill is allocated to cash generating units which are tested for impairment at least annually The cash generating units to which the goodwill is allocated is as follows North America £92 2 million (2012 £94 4 million), Europe £110 4 million (2012 £107 5 million) and International £1 1 million (2012 £1 3 million)

The recoverable amounts of the cash generating units are assessed using a fair value less costs of disposal model The valuation methodology uses significant inputs which are not based on observable market data, therefore, this valuation technique is classified as level 3 in the fair value hierarchy Fair value is calculated using a discounted cash flow model based on the Group's acquisition valuation model A post-tax discount rate of 10 0% is applied to the projected risk-adjusted post-tax cash flows and terminal value (derived using a 0% terminal growth rate) The period of specific forecast cash flows used in the valuation model is 5 years

Key assumptions include the sales growth rates (determined by internal forecasts, based on internal and external market information), profit margins (determined by past experience and adjusted for expected changes), discount rates (based on Group WACC), and terminal growth rate based on management's estimate of future long-term average growth rates

No impairment of goodwill was identified in 2013 The valuations indicate sufficient headroom such that a reasonably possible change to key assumptions is unlikely to result in an impairment of the related goodwill

14. Other intangible assets

	Computer software £'000	Licences, patents etc £'000	**Total £'000**
Cost at 1st January 2012	5,750	626,768	**632,518**
Exchange adjustments	(62)	(2,522)	**(2,584)**
Additions	-	1,779,591	**1,779,591**
Disposals and write-offs	-	(254,538)	**(254,538)**
Cost at 31st December 2012	5,688	2,149,299	**2,154,987**
Exchange adjustments	(68)	(2,008)	**(2,076)**
Additions	-	29,199	**29,199**
Disposal and write-off	-	(23,585)	**(23,585)**
Cost at 31st December 2013	**5,620**	**2,152,905**	**2,158,525**
Accumulated amortisation at 1st January 2012	(3,031)	(71,194)	**(74,225)**
Exchange adjustments	23	1,051	**1,074**
Charge for the year	(1,242)	(32,648)	**(33,890)**
Accumulated amortisation at 31st December 2012	(4,250)	(102,791)	**(107,041)**
Exchange adjustments	38	1,670	**1,708**
Charge for the year	(747)	(56,727)	**(57,474)**
Disposal and write-off	-	11,226	**11,226**
Accumulated amortisation at 31st December 2013	**(4,959)**	**(146,622)**	**(151,581)**
Impairments at 1st January 2012	(558)	-	(558)
Exchange adjustments	-	-	-
Impairment losses	-	-	-
Impairments at 31st December 2012	(558)	-	**(558)**
Exchange adjustments	-	-	-
Impairment losses	-	-	-
Impairment at 31st December 2013	**(558)**	-	**(558)**
Net book value at 31st December 2012	880	2,046,508	2,047,388
Net book value at 31st December 2013	**103**	**2,006,283**	**2,006,387**

Amortisation of licences and patents on marketed products has been charged through cost of sales in the income statement Write-off of £12 4 million was included in cost of sales (non-core) in 2013 in relation to full write-off of an intangible asset in ViiV Canada (2012 £254 5 million was included in research and development) Additions include £29 2 million in relation to capitalised development costs for maraviroc (*Selzentry/Celsentri TM)* and dolutegravir (*Tivicay TM*)

The book values of material assets are analysed as follows

Asset description	End of amortisation period	**2013 £'000**	2012 £'000
Dolutegravir	2037	**1,769,252**	-
Maraviroc	2022	**235,059**	251,071
Assets in development	N/A	-	1,777,000
Other assets	Various	**2,076**	19,317
		2,006,387	2,047,388

15. Inventories

	2013	2012
	£'000	£'000
Work in progress	**9,692**	7,444
Finished goods	**11,385**	9,014
	21,077	16,458

16. Trade and other receivables

	2013	2012
	£'000	£'000
Trade receivables	**220,684**	254,798
Other prepayments and accrued income	**2,143**	544
Interest receivable	**63**	3
Employee loans and advances	**133**	76
Other receivables	**37,836**	16,581
	260,859	272,002

Bad and doubtful debt provision		
At 1st Jan	**(6,646)**	(6,036)
Exchange adjustments	**(128)**	169
Charge for the year	**(1,901)**	(4,204)
Subsequent recoveries of amounts provided for	**1,645**	3,075
Utilised	**-**	350
At 31st December	**(7,030)**	(6,646)

17. Cash and cash equivalents

	2013	2012
	£'000	£'000
Cash at bank and in hand	**42,007**	58,960
Short-term deposits	**633,352**	696,852
	675,359	755,812

18. Trade and other payables

	2013 £'000	2012 £'000
Trade payables	**91,514**	63,736
Wages and salaries	**17,883**	15,210
Social security	**1,962**	2,603
Other payables	**17,297**	8,085
Deferred income	**559**	559
Customer return and rebate accruals	**118,746**	149,086
Other accruals	**140,964**	148,339
Contingent consideration due within one year	**3,376**	-
Preferential dividends due within one year	**60,910**	17,882
	453,211	405,500

19. Other provisions

	Employee related provisions £'000	Other provisions £'000	Total £'000
At 1st January 2012	6,535	371	**6,906**
Exchange adjustments	(184)	(8)	**(192)**
Charge/(credit) for the year	5,153	(27)	**5,126**
Utilised	(1,991)	(40)	**(2,031)**
Increase in pensions obligations	1,240	-	**1,240**
Other movements	192	(192)	-
At 31st December 2012	**10,945**	**104**	**11,049**
Exchange adjustments	218	(40)	**178**
(Credit)/charge for the year	(1,680)	3,796	**2,116**
Utilised	(966)	(161)	**(1,127)**
Decrease in pensions obligations	(1,574)	-	**(1,574)**
Other movements	(277)	1,002	**725**
At 31st December 2013	**6,666**	**4,701**	**11,367**
To be settled within one year	-	4,701	**4,701**
To be settled after one year	6,666	-	**6,666**
At 31st December 2013	**6,666**	**4,701**	**11,367**

Employee related provisions include a variety of benefits accruing to employees under state pension schemes, small country specific pension schemes, severance costs, jubilee awards and other long-service benefits

20. Other non-current liabilities

	Preferential dividends £'000	Contingent consideration liability £'000	Other £'000	Total £'000
As at 1st January 2013	986,455	669,893	1	1,656,349
Re-measurement	215,151	253,230	-	468,381
Transfer to trade and other payables	(60,910)	(3,376)	-	(64,286)
Other movements	(4)	-	(1)	(5)
As at 31st December 2013	**1,140,692**	**919,747**	-	**2,060,439**

21. Share Capital

	Class A shares		Class B shares		Class C Shares		Class D1 & D2 Shares		Total	
	Number	£'000	Number	£'000	Number	£'000	Number	£'000	Number	£'000
At 1st January 2012	6,950	7	2,798	3	252	-	-	-	**10,000**	**10**
Issue of new shares	-	-	-	-	-	-	1,112	1	**1,112**	**1**
At 31st December 2012	6,950	7	2,798	3	252	-	1,112	1	**11,112**	**11**
At 31st December 2013	6,950	7	2,798	3	252	-	1,112	1	**11,112**	**11**

Holders of Class A, B and C Shares are entitled to both preferential dividends and ordinary dividends Class D shares are split into Class D1 and Class D2 Class D1 are entitled to Shionogi preferred ordinary dividends and Class D2 are entitled to ordinary dividends Preferential dividends are based on the performance of certain assets and are payable in full prior to any ordinary dividend Any amounts that cannot be paid due to insufficient distributable reserves will be carried forward to future years and will be paid in preference to any subsequently declared dividend

Voting rights and ordinary dividend rights are in line with the share of equity points as defined in the Shareholders Agreement, subject to certain extraordinary corporate matters, which require prior written approval of Pfizer and/or Shionogi

22. Movements in equity

Retained earnings, merger reserve and other reserves, amounted to £212 6 million at 31st December 2013 (2012 £665 9 million) of which a loss of £96 8 million (2012 £94 5 million) relates to historic joint ventures which no longer exist at the balance sheet date The cumulative analysis of other comprehensive income is shown below

	Retained earnings £'000	Merger Reserve £'000	**Total £'000**
At 1st January 2012	(9,813)	1,595	**(8,218)**
Exchange movements on overseas net assets	(10,419)	(353)	**(10,772)**
Actuarial gain/(loss) on defined benefit plans	(1,225)	-	**(1,225)**
Deferred tax on actuarial movements in defined benefit plans	143	-	**143**
At 31st December 2012	**(21,344)**	**1,242**	**(20,102)**
Exchange movements on overseas net assets	(9,430)	144	**(9,286)**
Tax on Exchange Movements	(1,277)	-	**(1,277)**
Actuarial gain/(loss) on defined benefit plans	1,751	-	**1,751**
Deferred tax on actuarial movements in defined benefit plans	(232)	-	**(232)**
At 31st December 2013	**(30,532)**	**1,386**	**(29,146)**

23. Related party transactions

On 12th August 2013 ViiV Healthcare received FDA approval for *Tivicay* in the US This resulted in an equity shift of 0 9% from Pfizer to GSK as per the shareholders agreement The economic interest in the Group is 77 4% owned by GlaxoSmithKline Mercury Limited (a wholly owned subsidiary of the GlaxoSmithKline plc group of companies), 11 6% by PHIVCO Luxembourg Sarl and 1 0% by PHIVCO Corp (both members of the Pfizer Inc group of companies) and 10% by Shionogi & Co, Ltd During the year the Group undertook significant transactions with entities from within each of the GSK, Pfizer and Shionogi groups of companies

Entities from within the GSK group of companies supplied goods to and purchased goods from the Group during the year In addition, entities from within the GSK group of companies were engaged to provide support function services to the Group under 'Support Services Agreements' including regulatory and safety services, financial management and reporting, human resources, payroll services, IT support, property management, legal services, contract manufacturing, management of the Group's UK and US pension schemes, and management of the Group's employee share schemes In addition, the Group operates separate agreements with GSK affiliates for the provision of research and development and for toll-manufacturing services

Entities from within the Pfizer group of companies supplied goods to the Group during the year as well as providing regulatory, financial reporting and legal services under a 'Support Services Agreement' In addition, the Group operates separate agreements with Pfizer affiliates for the provision of research and development and for toll-manufacturing services

Entities from within the Shionogi group of companies provided research and development services to the Group during the year under a 'Services Agreement' and a 'Research and Development' Agreement In addition there is an 'API Supply Agreement' under which entities from within the Shionogi group of companies supply goods to the Group

During the formation of the Group and on the subsequent acquisition of the former Shionogi-ViiV Healthcare joint venture arrangements were entered into for the payment of preferential dividends to GSK, Pfizer and Shionogi subject to achieving agreed sales targets and development milestones Once the preferential dividends become payable they are to be paid prior to the payment of an ordinary dividend to the Group's shareholders Amounts included within the balance sheet for the expected payments to each party are included in the table below

The Group also recognises net economic benefit payments receivable from GSK and Pfizer group companies These payments arise where HIV products are continuing to be sold by other GSK and Pfizer group companies because the ViiV Healthcare trading entity is not yet operational or due to legal or local operating restrictions The net economic benefit receivable from GSK companies in 2013 represents the amount due in respect of the three years from 2011 to 2013, and is reported within selling, general and administration expenditure

The table below outlines the amounts of the relevant transactions and outstanding amounts at the end of the financial year

	GlaxoSmithKline group of companies		Pfizer group of companies		Shionogi group of companies	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000	**2013 £'000**	2012 £'000
Sale of goods	**221,994**	222,677	**5,896**	2,535	-	-
Purchase of goods and services	**350,634**	275,864	**65,237**	99,358	**1,263**	-
Net economic benefit	**19,386**	-	-	-	-	-
Net amounts receivable / (payable) at 31st December	**14,329**	(19,716)	**(1,426)**	(870)	**(160)**	(128)
Preferential Dividend liability	**(1,051,486)**	(774,611)	**(108,411)**	(195,475)	**(41,764)**	(34,251)
Contingent consideration liability	-	-	-	-	**(923,123)**	(669,893)

During the year, both the Group and Shire Canada entered into transactions with their 50/50 Canadian joint venture company in support of the selling and marketing activities conducted by that joint venture company During 2013, the Group provided services to the joint venture of £1 6 million (2012 £5 0 million)

Only one Director is remunerated by the Group, details of which can be found in Note 7, Employee Costs

24. Adjustments reconciling profit after tax to operating cash flows

	2013	2012
	£'000	£'000
Profit after tax	**190,349**	492,239
Add back		
Tax on profits	**145,486**	148,810
Share of after-tax (profit)/losses of joint ventures	**(528)**	33,290
Finance expense net of finance income	**216,170**	341,775
Re-measurement of contingent consideration	**253,230**	10,893
Depreciation	**845**	370
Amortisation of intangible assets	**57,474**	33,890
Asset write-off	**12,359**	254,538
Gain on acquisition of joint venture	**-**	(517,392)
Loss on dissolution of joint venture	**2,854**	-
Profit on sale of property, plant and equipment	**(28)**	(40)
(Increase)/Decrease in inventories	**(7,486)**	18,101
Decrease in trade receivables	**29,978**	61,852
(Increase)/Decrease in other receivables	**(23,176)**	59,228
Increase/(Decrease) in trade payables	**29,402**	(40,627)
(Decrease) in other payables	**(24,892)**	(31,314)
Increase in pension and other provisions	**1,891**	3,006
Other	**-**	10,698
	693,579	387,078
Cash generated from operations	**883,928**	879,317

25. Acquisitions

2013

There have been no acquisitions during the year ended 31st December 2013

2012

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Net assets acquired			
Intangible assets	-	1,777,000	1,777,000
Deferred tax provision	-	(369,921)	(369,921)
	-	**1,407,079**	**1,407,079**
Negative goodwill	-	(292,892)	(292,892)
	-	**1,114,187**	**1,114,187**
Consideration settled by shares	-	341,000	341,000
Shionogi preferred ordinary dividend entitlement	-	37,000	37,000
Contingent consideration	-	659,000	659,000
Deferred tax on contingent consideration	-	(147,313)	(147,313)
Fair value of investment in joint venture converted into subsidiary	-	255,500	255,500
Loss on settlement of pre-existing relationships	-	(31,000)	(31,000)
Total consideration	-	**1,114,187**	**1,114,187**

On 29th October 2012, ViiV Healthcare acquired the 50% share of the Shionogi-ViiV Healthcare joint venture previously held by Shionogi The assets include the investigational medicine dolutegravir and early stage integrase inhibitor compounds The compounds are in development and do not currently generate revenue

The net assets acquired comprise £1,777 0 million of intangible assets and £369 9 million of deferred tax liability Negative goodwill of £292 9 million was recognised as a gain in the income statement This has arisen from the differing assessments of valuations between the parties, principally as a result of deferring tax payment obligations between ViiV Healthcare Group and its shareholders

Total consideration comprised a 10% equity stake in ViiV Healthcare valued at £341 0 million, preferred ordinary dividend entitlement of £37 0 million, fair value of ViiV's Healthcare's existing 50% investment in joint venture of £255 5 million and contingent consideration payable in cash in the future valued at £659 0 million, together with a deferred tax asset of £147 3 million and a loss on settlement of pre-existing relationships of £31 0 million

The gain on acquisition of the joint venture was £517 4 million, comprising negative goodwill of £292 9 million and a gain arising from the fair value of the Group's existing holding in the joint venture of £255 5 million less loss on settlement of pre-existing relationships of £31 0 million

The contingent consideration is payable based on the future sales performance of compounds developed by the joint venture, if they become marketed products, and so the total amount payable is unlimited

The results of the acquired business are reported as part of the group The transaction has been accounted for using the purchase method of accounting

Acquisition costs expensed in 2012 arising on this acquisition amounted to £1 6 million

26. Commitments

	2013 £'000	2012 £'000
Commitments under non-cancellable leases and other contracts		
Payments due within one year	**1,248**	1,343
Payments due between one and five years	**4,216**	1,919
Payments due after five years	**22**	158
Total commitments	**5,486**	3,420

27. Financial instruments and related disclosures

The Group reports in Sterling and pays dividends out of Sterling profits GSK's Treasury function is employed as a service provider to manage and monitor the Group's external and internal funding requirements and financial risks in support of the Group's strategic objectives Treasury activities are governed by policies approved by the Group Board of Directors, most recently on 19th March 2013

The Group operates on a global basis, through a number of subsidiary companies and the existing sales networks of GSK

A Treasury meeting, chaired by our ViiV Healthcare Chief Financial Officer (CFO), takes place on a monthly basis to review Treasury activities Its members receive management information relating to Treasury activities GSK's internal auditors review the Treasury internal control environment regularly as part of their review of GSK's Treasury function

The Group may use a variety of financial instruments to finance its operations and derivative financial instruments to manage risks from these operations These derivatives, principally comprising forward foreign currency contracts and currency swaps, are used to manage exposure to funding risks from changes in foreign exchange rates The Group does not hold or issue derivatives for speculative purposes and our Treasury policies specifically prohibit such activity

Capital management

The Group manages its capital to ensure that entities in the Group are able to operate as going concerns whilst availing themselves of intercompany funding where appropriate The capital structure of the Group consists wholly of shareholders' equity (see "Consolidated statement of changes in equity" on page 16) The Board reviews the Group's annual dividend policy which is established in accordance with parameters set in the shareholders agreement between GSK, Pfizer and Shionogi

Selling margins are sufficient to cover normal operating costs and our operations are cash generative

Operating cash flow are used to fund investment in research and development of new products It is also used to make routine outflows of capital expenditure, tax and dividends In 2013, ViiV Healthcare returned £652m to shareholders in dividends

Liquidity risk

The Group benefits from strong positive cash flow from operating units and has substantial cash and cash equivalents, which amounted to £675 4 million at 31st December 2013 (2012 £755 8 million)

Market risk

Interest rate risk management

The Group has no significant external debt and therefore its interest expense is not significantly exposed to changes in interest rates The Group earns interest income on its cash and therefore benefits from an increase in interest rates The impact of a decrease in interest rates is limited (see interest rate sensitivity)

Foreign exchange risk management

Foreign currency transaction exposures arising on internal and external trade flows are not hedged The Group's objective is to minimise the exposure of overseas operating subsidiaries to transaction risk by matching local currency income with local currency costs where possible and by maintaining intercompany payment terms of 30 days or less Exceptional foreign currency cash flows may be hedged selectively as approved by the CFO Cash surpluses or borrowing requirements of subsidiary companies are usually managed centrally using forward contracts to hedge future repayments back into the originating currency

Derivative financial instruments

The principal amount on foreign exchange contracts of £382 3 million (2012 £123 0 million) is the gross total of outstanding positions at the balance sheet date All contracts are for periods of 12 months or less At 31st December 2013, the Group held outstanding foreign exchange contracts consisting primarily of currency swaps with a total net asset fair value of £2 2 million (2012 £0 6 million) which represent hedges of intercompany loans and deposits, but are not designated as accounting hedges Changes in fair value are taken to profit and loss in the period to offset the exchange gains and losses on the related intercompany lending and borrowing

Credit risk

The Group considers its maximum credit risk to be £921 2 million (2012 £1,017 5 million) which is the total of the Group's financial assets This represents £675 4 million of cash and cash equivalents and £245 9 million of trade and other receivables and derivative financial assets See page 47 for details on the Group's total financial assets

The Group's greatest concentration of credit risk is £410 1 million deposited in US Treasury and Treasury repo only market funds In 2012, the greatest concentration of credit risk was £340 4 million deposited with HSBC

Treasury-related credit risk

The Group has continued to maintain its conservative approach to counterparty risk throughout 2013 The aggregate credit risk in respect of financial instruments that the Group may have with one counterparty is limited by reference to the long-term credit ratings assigned for that counterparty by Moody's Investors Service ("Moody's") and Standard and Poor's The table below sets out the credit ratings of counterparties for cash and cash equivalents The derivatives held by the Group are not significant

	Credit rating of counterparty							
	Aaa/AAA £'000	Aa1/AA+ £'000	Aa2/AA £'000	Aa3/AA- £'000	A1/A+ £'000	A2/A £'000	A3/A- £'000	**Total £'000**
2013								
Bank balances and deposits	-	-	-	234,728	26,779	3,778	-	**265,285**
US Treasury & Treasury repo only money market funds	-	410,074	-	-	-	-	-	**410,074**
Total	-	410,074	-	234,728	26,779	3,778	-	**675,359**
2012								
Bank balances and deposits	-	-	-	340,419	192,176	51,580	8,026	**592,201**
US Treasury & Treasury repo only money market funds	-	163,611	-	-	-	-	-	**163,611**
Total	-	163,611	-	340,419	192,176	51,580	8,026	**755,812**

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

Our centrally managed cash reserves amounted to £632 6 million at 31st December 2013, all available within three months The Group invests centrally managed liquid assets in bank deposits and Aaa/AAA US Treasury and Treasury repo only money market funds (which bear credit exposure to the US Government (Aa1/AA+ rated)) with a minimum short-term credit rating of A-1/P-1

The remaining cash balances are used by subsidiary entities in funding their working capital requirements

Global counterparty limits are assigned to each of ViiV Healthcare's banking and investment counterparties based on long-term credit ratings from Moody's and Standard and Poor's The Group's usage of these limits is monitored daily by GSK's Corporate Compliance Officer (CCO) who operates independently from GSK Treasury Any breach of these limits would be reported to the CFO immediately The CCO also monitors the credit rating of these counterparties and, when changes in ratings occur, notifies GSK's Treasury so that changes can be made to investment levels or authority limits as appropriate

Wholesale and retail credit risk

The Group employs GSK as a service provider to monitor credit risk relating to key wholesalers These activities include a review of their quarterly financial information and Standard & Poor's credit ratings, development of internal risk ratings, and the establishment and periodic review of credit limits The results of these reviews are submitted to ViiV Healthcare's local management to support the risk management process

Outside the USA, no customer accounts for more than 5% of the Group's trade receivables balance In the USA, in line with other pharmaceutical companies, the Group sells its products to a small number of wholesalers in addition to hospitals, pharmacies, physicians and other groups Sales to the three largest wholesalers amount to approximately 84% of the Group's US sales At 31st December 2013, the Group had trade receivables due from these three wholesalers totalling £65 0 million (2012 £51 4 million) The Group is exposed to a concentration of credit risk in respect of these wholesalers such that, if one or more of them encounters financial difficulty, it could materially and adversely affect the Group's financial results However, the Group believes there is no further credit risk provision required in excess of the normal provision for bad and doubtful debts (see Note 16, 'Trade and other receivables')

Fair value of financial assets and liabilities

The table on page 47 presents the carrying amounts and the fair values of the Group's financial assets and liabilities at 31st December 2013 and 31st December 2012 The fair values of the financial assets and liabilities are included at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date

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

- Cash and cash equivalents - approximates to the carrying amount
- Short-term loans and overdrafts - approximates to the carrying amount because of the short maturity of these instruments
- Forward exchange contracts - based on present value of contractual cash flows using market sourced data (exchange rates)
- Receivables and payables - approximates to the carrying amount
- Preferential dividends - approximates to the carrying amount
- Contingent consideration for business acquisitions – based on present values of expected future contractual cash flows

Financial assets and financial liabilities

	2013 Carrying value and Fair value £'000	2012 Carrying value and Fair value £'000
Cash and cash equivalents	**675,359**	755,812
Loans and receivables		
Trade and other receivables and certain Other non-current assets in scope of IAS 39	**243,435**	260,831
Financial assets at fair value through profit or loss		
Derivatives classified as held for trading under IAS 39	**2,415**	817
Total financial assets	**921,209**	1,017,460
Financial liabilities measured at amortised cost		
Borrowings		
- Bank loans and overdrafts	**(67)**	(8,558)
- Obligations under finance leases	**(1,199)**	(714)
Total borrowings	**(1,266)**	(9,272)
Trade and other payables, and certain Other non-current liabilities in scope of IAS 39	**(1,580,298)**	(1,382,866)
Financial liabilities at fair value through profit or loss		
Trade and other payables, Other provisions and certain Other non-current liabilities in scope of IAS 39	**(923,123)**	(669,893)
Derivatives classified as held for trading under IAS 39	**(169)**	(233)
Total financial liabilities	**(2,504,856)**	(2,062,264)
Net financial liabilities	**(1,583,647)**	(1,044,804)

Held for trading derivatives comprise foreign exchange contracts

Financial assets and liabilities held at fair value are categorised by the valuation methodology applied in determining their fair value Where possible, quoted prices in active markets are used (Level 1) Where such prices are not available, the asset or liability is classified as Level 2, provided all significant inputs to the valuation model used are based on observable market data If one or more of the significant inputs to the valuation model is not based on observable market data, the instrument is classified as Level 3

At 31st December 2013	Level 1 £'000	Level 2 £'000	Level 3 £'000	**Total £'000**
Financial assets at fair value				
Financial assets at fair value through profit and loss				
Derivatives classified as held for trading under IAS 39	-	2,415	-	**2,415**
	-	2,415	-	**2,415**
Financial liabilities at fair value				
Financial liabilities at fair value through profit and loss				
Trade and other payables	-	-	(3,376)	**(3,376)**
Other non-current liabilities	-	-	(919,747)	**(919,747)**
Derivatives classified as held for trading under IAS 39	-	(169)	-	**(169)**
	-	(169)	(923,123)	**(923,292)**

At 31st December 2012	Level 1 £'000	Level 2 £'000	Level 3 £'000	**Total £'000**
Financial assets at fair value				
Financial assets at fair value through profit and loss				
Derivatives classified as held for trading under IAS 39	-	817	-	**817**
	-	817	-	**817**
Financial liabilities at fair value				
Financial liabilities at fair value through profit and loss				
Other non-current liabilities	-	-	(669,893)	**(669,893)**
Derivatives classified as held for trading under IAS 39	-	(233)	-	**(233)**
	-	(233)	(669,893)	**(670,126)**

Movements in the year for financial instruments measured using Level 3 valuation methods are presented below

	2013 £'000	2012 £'000
At 1st January	(669,893)	-
Re-measurement of contingent consideration	(253,230)	(10,893)
Contingent consideration liabilities for business acquired during the year	-	(659,000)
At 31st December	**(923,123)**	**(669,893)**

Re-measurement of contingent consideration of £253 2 million (2012 £10 9 million) attributable to Level 3 financial instruments held at 31st December 2013 was reported in Selling, general and administration expenses during the year

The liability position in respect of financial instruments measured using Level 3 valuation methods at 31 December includes £923 1 million (2012 – £669 9 million) in respect of contingent consideration payable for the acquisition in 2012 of the former Shionogi-ViiV Healthcare joint venture This consideration is expected to be paid over several years and will vary in line with sales of *Tivicay* (dolutegravir) Regulatory approval for this product was obtained in the USA and Canada during the year and in the European Union in January 2014 The table below shows on an indicative basis the income statement and balance sheet sensitivity to reasonably possible changes in key inputs to the valuation of this liability

Increase/(decrease) in financial liability and loss/(gain) in Income statement from change in key inputs	**2013**
	£'000
10% increase in sales forecasts	105,000
10% decrease in sales forecasts	(104,000)
1% increase in market interest rates	(56,000)
1% decrease in market interest rates	62,000

Trade and other receivables and Other non-current assets in scope of IAS 39

The following table reconciles financial assets within Trade and other receivables and Other non-current assets which fall within the scope of IAS 39 to the relevant balance sheet amounts The financial assets are predominantly non-interest earning Other assets include tax receivables, pension assets and prepayments, which are outside the scope of IAS 39

	Notes	**2013**	2012
		£'000	£'000
Trade and other receivables	16	**260,859**	272,002
Other non-current assets		**81**	152
		260,940	272,154
Analysed as			
Financial assets in scope of IAS 39		**243,435**	260,831
Other assets		**17,505**	11,323
		260,940	272,154

The following table shows the age of such financial assets which are past due and for which no provision for bad or doubtful debts has been made

	2013	2012
	£'000	£'000
Past due by 1-30 days	**9,945**	7,574
Past due by 31-90 days	**14,686**	17,451
Past due by 91-180 days	**14,950**	19,651
Past due by 181-365 days	**21,653**	19,125
Past due by more than 365 days	**19,238**	7,853
	80,472	71,654

Trade receivables include £68 9 million (2012 £60 0 million) after provisions for bad and doubtful debts which are past due from state hospital authorities in Italy, Portugal and Spain The Group is actively pursuing these debts and considers the net balance recoverable

Trade and other payables and Other non-current liabilities in scope of IAS 39

The following table reconciles financial liabilities within Trade and other payables and Other non-current liabilities which fall within the scope of IAS 39 to the relevant balance sheet amounts Accrued wages and salaries are included within financial liabilities Other liabilities include payments on account and tax and social security payables, which are outside the scope of IAS 39

	Notes	2013 £'000	2012 £'000
Trade and other payables	18	**453,211**	405,500
Other non-current liabilities	20	**2,060,439**	1,656,349
		2,513,650	2,061,849
Analysed as			
Financial liabilities in scope of IAS 39 – at amortised cost		**1,580,298**	1,382,866
Financial liabilities in scope of IAS 39 – at fair value through profit or loss		**923,123**	669,893
Other liabilities		**10,229**	9,090
		2,513,650	2,061,849

Offsetting of financial assets and liabilities

The Group has no financial assets and financial liabilities which are set off in the Group's balance sheet For Derivative financial assets and liabilities, amounts not offset in the balance sheet but which could be offset under certain circumstances are set out below

At 31 December 2013	Gross financial assets/ (liabilities) £'000	Gross financial (liabilities/ assets set off £'000	Net financial assets/ (liabilities) per balance sheet £'000	Related amounts not set off in the balance sheet £'000	Net £'000
Derivative financial assets	2,415	-	2,415	(169)	2,246
Derivative financial liabilities	(169)	-	(169)	169	-

At 31 December 2012	Gross financial assets/ (liabilities) £m	Gross financial (liabilities/ assets set off £m	Net finanical assets/ (liabilities) per balance sheet £m	Related amounts not set off in the balance sheet £m	Net £m
Derivative financial assets	817	-	817	(233)	584
Derivative financial liabilities	(233)	-	(233)	233	-

Sensitivity analysis

The sensitivity analysis has been prepared on the assumption that the amount of net cash (cash and cash equivalents less overdrafts), the ratio of fixed to floating interest rates of the debt and derivatives portfolio and the proportion of financial instruments in foreign currencies are all constant Financial instruments affected by market risk include borrowings, cash and deposits and derivative financial instruments The following analyses are intended to illustrate the sensitivity of such financial instruments to changes in relevant foreign exchange and interest rates

Foreign exchange sensitivity

The two major foreign currencies in which the Group's financial instruments are denominated are US Dollars and Euros The Group has considered movements in these currencies over the last three years and has concluded that a 10% movement in rates is a reasonable benchmark Financial instruments are only considered sensitive to foreign exchange rates where they are not in the functional currency of the entity that holds them Intercompany loans which are fully hedged to maturity with a currency swap have been excluded from this analysis

A 10% movement in rates is not deemed to have a material effect on income or equity

Interest rate sensitivity

The table below shows on an indicative basis the Group's sensitivity to interest rates on its floating rate Sterling and US dollar financial instruments, being the currencies in which the Group has historically held cash and cash equivalents The Group has considered movements in these interest rates over the last three years and has concluded that a 1% (100 basis points) increase is a reasonable benchmark

	2013 Increase in income £'000	2012 Increase in income £'000
1% (100 basis points) increase in Sterling interest rates (2012 1%)	**5,637**	6,536
1% (100 basis points) increase in US dollar interest rates (2012 1%)	**1,385**	1,641

These interest rates could not be decreased by 1% as they are currently less than 1% The maximum decrease in income would therefore be limited to £2 1 million and £0 1 million for Sterling and US Dollar interest rates respectively (2012 £2 4 million and £0 1 million)

Interest rate movements on foreign currency derivatives, trade payables, trade receivables and other financial instruments not in net cash do not present a material exposure to the Group's income statement based on a 1% increase or decrease in these interest rates

A 1% (100 basis points) movement in interest rates is not deemed to have a material effect on equity

Contractual cash flows for non-derivative financial liabilities and derivative instruments

The following is an analysis of the anticipated contractual cash flows including interest payable for the Group's non-derivative financial liabilities on an undiscounted basis Cash flows in foreign currencies are translated using spot rates at 31st December

	Obligations under finance leases	Finance charge on obligations under finance leases	Trade payables and Other non-current liabilities	**Total**
	£'000	£'000	£'000	**£'000**
At 31st December 2013				
Due in less than one year	(447)	(2)	(443,233)	**(443,682)**
Between one and five years	(753)	-	(861,454)	**(862,207)**
Between five and ten years	-	-	(2,169,643)	**(2,169,643)**
Greater than ten years	-	-	(2,645,126)	**(2,645,126)**
Gross contractual cash flows	(1,200)	(2)	(6,119,456)	**(6,120,658)**
At 31st December 2012				
Due in less than one year	(300)	(3)	(396,354)	**(396,657)**
Between one and five years	(415)	(11)	(429,852)	**(430,728)**
Between five and ten years	-	-	(1,491,974)	**(1,491,974)**
Greater than ten years	-	-	(2,130,664)	**(2,130,664)**
Gross contractual cash flows	(715)	(14)	(4,448,844)	**(4,449,573)**

The following table provides an analysis of the anticipated contractual cash flows for the Group's derivative instruments, using undiscounted cash flows Cash flows in foreign currencies are translated using spot rates at 31st December

		2013		2012
	Receivables	**Payables**	Receivables	Payables
	£'000	**£'000**	£'000	£'000
Less than one year	**384,565**	**382,299**	123,707	123,104

28. Employee share schemes

Incentives in the form of shares in the Group's ultimate parent company, GlaxoSmithKline plc, are provided to employees under the following share option and share award schemes

Share Option Plan

Options were granted to employees to acquire shares at the grant price in GlaxoSmithKline plc Grants are normally exercisable between three and ten years from the date of grant but may, under certain circumstances, vest earlier as set out within the various scheme rules Options are granted at the market price ruling at the date of grant The granting of restricted share awards (see Share Value Plan below) has replaced the granting of options to certain employees as the cost of the scheme more readily equates to the potential gain to be made by the employee

Performance Share Plan Awards

The Group operates a Performance Share Plan whereby share awards are granted to senior executives at no cost The percentage of each award that vests is based upon the performance of the GSK and ViiV Healthcare Groups over a three year measurement period The performance conditions for the awards consist of two parts, each of which applies to 50% of the award The first part of the performance condition compares GSK's EPS growth to the increase in the UK Retail Prices Index over the three year measurement period The second part of the performance condition is based on the ViiV Healthcare Group's three year operating profit compared to the three year plan Grants of Performance Share Plan awards normally vest at the end of the three year vesting and performance period and are available for sale at that time

Share value plan

The Group operates a Share Value Plan whereby share awards are granted to employees at no cost There are no performance criteria attached Grants of Share Value Plan Awards normally vest at the end of the three year vesting period and are available for sale at that time

The share based compensation charge for the above schemes has been recorded in the income statement as administrative expenses of £3 9 million (2012 £5 0 million) and is considered immaterial for further disclosure

29. Ultimate parent undertaking

GlaxoSmithKline plc, a company registered in England and Wales, is the Group's ultimate parent undertaking and controlling party The only group of undertakings for which Group financial statements are prepared and which include the results of the ViiV Healthcare Limited Group 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 of the Group is GlaxoSmithKline Mercury Limited

30. Principal group companies

The following represent the principal subsidiaries of the Group at 31st December 2013 Details are given of the principal country of operation, the location of the headquarters, the business sector and the business activities The equity share capital of these undertakings is wholly owned by the Group except where its percentage interest is shown otherwise All companies are incorporated in their principal country of operation except where stated

	Location	Subsidiary	Activity	%
Europe				
England	Brentford	ViiV Healthcare Trading Services UK Limited	e, f, m	100%
	Brentford	ViiV Healthcare Overseas Limited	h	100%
	Brentford	ViiV Healthcare UK Limited	m, i	100%
	Brentford	ViiV Healthcare UK (No 3) Limited	r, i	100%
	Brentford	PHIVCO UK Limited	h, i	100%
	Brentford	PHIVCO UK II Limited	r, i	100%
Jersey	St Helier	ViiV Healthcare UK (No 2) Limited	h	100%
	St Helier	PHIVCO Jersey Limited	h	100%
	St Helier	PHIVCO Jersey II Limited	h	100%
Belgium	Wavre	ViiV Healthcare sprl	m	100%
France	Marly le Roi	ViiV Healthcare SAS	m	100%
Germany	Munich	ViiV Healthcare GmbH	m	100%
Italy	Verona	ViiV Healthcare S r l	m	100%
Netherlands	Zeist	ViiV Healthcare B V	m	100%
Portugal	Alges	ViiVHIV Healthcare Unipessoal Lda	m	100%
Spain	Madrid	Laboratorios ViiV Healthcare S L	m	100%
Switzerland	Muenchenbuchsee	ViiV Healthcare GmbH	m	100%
Americas				
USA	Wilmington	ViiV Healthcare Company	m, i	100%
	Wilmington	PHIVCO-1 LLC	i	100%
	Wilmington	PHIVCO-2 LLC	i	100%
Canada	Calgary	ViiV Healthcare ULC	m	100%
Mexico	Col San Lorenzo Huipulco	ViiV Healthcare S De RL de CV	m	100%
Puerto Rico	Guaynabo	ViiV Healthcare Puerto Rico LLC	m	100%

International

Australia	Boronia	ViiV Healthcare Pty Ltd	m	100%
South Africa	Bryanston	ViiV Healthcare (South Africa) (Proprietary) Limited	m	100%
Japan	Tokyo	ViiV Healthcare Kabushiki Kaisha	m	100%
Russia	Moscow	ViiV Healthcare Trading LLC	m	100%

Business activity e exporting, f finance, h holding company, m marketing and trade, i holder of intellectual property, r research and development

The ViiV subsidiary company in Mexico will cease to exist in 2014, following agreement to merge into an existing GSK subsidiary company in Mexico

31. Legal Proceedings

Intellectual Property Proceedings

Epzicom (US)

On June 27 2011, the Group received notice that Teva Pharmaceuticals ('Teva') had amended its ANDA for *Epzicom* (the combination of lamivudine and abacavir) to contain a Paragraph IV certification for two patents listed in the Orange Book, relating to a method of treating HIV using the double combination (expiring in 2016) patent and a crystal form of lamivudine, alleging the patents were invalid, unenforceable or not infringed On August 5 2011, the Group filed suit against Teva under the challenged patents in the United States District Court for the District of Delaware The District Court has consolidated discovery in the *Epzicom* case with the Group's patent infringement suit against Lupin Ltd ('Lupin') relating to *Trizivir*, as both cases involve the same patent covering the combination of lamivudine and abacavir The case was consolidated with the action relating to *Trizivir* and tried in June 2013, a decision issued in December 2013 The US District Court held the combination patent to be valid and ruled that Teva product infringed the patent This litigation will continue in 2014 through the appeals process

Trizivir (US)

On May 18 2011, the Group received notice that Lupin had filed an ANDA containing a Paragraph IV certification for *Trizivir* (the triple combination of lamivudine, AZT and abacavir) alleging that three patents listed in the Orange Book for *Trizivir* are either invalid, unenforceable or not infringed These patents relate to a method of treating HIV using the triple combination (expiring in 2016), the hemisulfate salt of abacavir (expiring in 2018), and a certain crystal form of lamivudine (expiring in 2016) On June 29 2011, the Group filed suit against Lupin under the patent covering the triple combination in the United States District Court for the District of Delaware On 31st October 2011, the District Court consolidated the case for discovery with the Group's patent infringement suit involving Teva Pharmaceuticals and *Epzicom* pending in the same court The case was tried in June 2013 and a decision was issued in December 2013 The US District Court held the combination patent to be valid, and that Lupin's generic version of *Trizivir* did not infringe the patent Lupin launched a generic version of Trizivir in the US in December 2013 This litigation will continue in 2014 through the appeals process

32. Summary of material differences between IFRS and US GAAP

Preferential dividends

Under IFRS, the estimated future preferential dividends payable to both GSK, Pfizer and Shionogi are recognised as financial liabilities at amortised cost and discounted to account for the change in value over time Under US GAAP the liability for estimated preferential dividends payable to GSK does not meet the conditions for recognition and is not contingent consideration arising on a business combination As a result the liability for the estimated preferential dividends payable to GSK is removed from the balance The impact of the re-measurements of this liability for changes in actual and revised estimated cash flows are consequently removed from the Income Statement

Taxation

Under IFRS, any tax impacts to the seller as a result of the intercompany transaction are recognized as incurred Deferred taxes resulting from the intragroup sale are recognized at the buyer's tax rate Under US GAAP any tax impacts to the seller as a result of an intercompany sale are deferred until realized by third-party sale or otherwise recovered (e g , amortized or impaired) In addition, the buyer is prohibited from recognizing a deferred tax asset resulting from the difference between the tax basis and consolidated carrying amount of the asset

Under IFRS, deferred tax balances are disclosed in the balance sheet as non-current items Under US GAAP, deferred tax balances are disclosed as current or non-current based on the classification of the underlying items generating the temporary difference

Net economic benefit payments

Under IFRS the Group recognises net economic benefit payments receivable from GSK and Pfizer These payments arise where HIV products contributed to the Group by GSK and Pfizer are continuing to be sold by GSK or Pfizer companies because the ViiV Healthcare trading entity is not yet operational or due to legal or local operating restrictions Under US GAAP the net economic benefit payments receivable from GSK are not recognised as they are due from an entity under common control Where GSK makes a net economic benefit payment under IFRS this is treated as a credit to the Income Statement, under US GAAP this is treated as an additional capital contribution

Research and development

Research and development ("R&D") expenditure is charged to the income statement in the period in which it is incurred except that under IFRS 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 Under US GAAP, all development expenditure is treated as an expense in the Income Statement

The following is a summary of the adjustments to profits and shareholders' funds which would be required if US GAAP had been applied instead of IFRS

Income statement for the year ended 31st December 2013

	IFRS 2013 £'000	Note 1	Note 2	Note 3	Note 4	US GAAP 2013 £'000
Turnover	**1,371,000**	-	-	-	-	**1,371,000**
Costs and expenses						
Cost of sales	**(170,511)**	-	-	838	-	**(169,673)**
Selling, general and administrative expenses	**(476,431)**	-	-	-	(19,386)	**(495,817)**
Research and development expenses	**(101,479)**	-	-	(29,199)	-	**(130,678)**
Amortisation of intangible assets	**(68,248)**	-	-	-	-	**(68,248)**
Gain from affiliates	**528**	-	-	-	-	**528**
Loss on dissolution of Joint venture	**(2,854)**	-	-	-	-	**(2,854)**
Other income/(expense) – net	**(216,170)**	286,743	-	-	-	**70,573**
Income from continuing operations before provision for taxes on income	**335,835**	**286,743**	**-**	**(28,361)**	**(19,386)**	**574,831**
Provision for taxes on income	**(145,486)**	-	(340)	5,000	-	**(140,826)**
Net income	**190,349**	**286,743**	**(340)**	**(23,361)**	**(19,386)**	**434,005**
Other comprehensive income						
Exchange movements on overseas net assets and net investment hedges	**(9,286)**	-	-	-	-	**(9,286)**
Tax on exchange movements	**(1,277)**	-	-	-	-	**(1,277)**
Actuarial gains on defined benefit plans	**1,751**	-	-	-	-	**1,751**
Deferred tax on actuarial movements in defined benefit plans	**(232)**	-	-	-	-	**(232)**
Total comprehensive income	**181,305**	**286,743**	**(340)**	**(23,361)**	**(19,386)**	**424,961**

VIIV Healthcare Limited
Notes to the financial statements
For the year ended 31st December 2013

Income statement for the year ended 31st December 2012

	IFRS 2012 £'000	Note 1	Note 2	Note 3	Note 4	US GAAP 2012 £'000
Turnover	**1,337,449**	-	-	-	-	**1,337,449**
Costs and expenses						
Cost of sales	**(205,451)**	-	-	-	-	**(205,451)**
Selling, general and administrative expenses	**(258,333)**	-	-	-	-	**(258,333)**
Research and development expenses	**(343,782)**	-	-	-	-	**(343,782)**
Amortisation of intangible assets	**(32,648)**	-	-	-	-	**(32,648)**
Loss from affiliates	**(33,290)**	-	-	-	-	**(33,290)**
Gain on acquisition of Joint Venture	**517,392**	-	-	-	-	**517,392**
Other income/(expense) - net	**(340,288)**	454,253	-	-	-	**113,965**
Income from continuing operations before provision for taxes on income	**641,049**	454,253	-	-	-	**1,095,302**
Provision for taxes on income	**(148,810)**	-	(3,062)	-	-	**(151,872)**
Net income	**492,239**	454,253	(3,062)	-	-	**943,430**
Other comprehensive income						
Exchange movements on overseas net assets and net investment hedges	**(10,772)**	-	-	-	-	**(10,772)**
Actuarial losses on defined benefit plans	**(1,225)**	-	-	-	-	**(1,225)**
Deferred tax on actuarial movements in defined benefit plans	**143**	-	-	-	-	**143**
Total comprehensive income	**480,385**	454,253	(3,062)	-	-	**931,576**

Notes

1. Reversal of re-measured liability for estimated future preferential dividends payable to GSK is not recognised under US GAAP
2. Adjustment to reflect the different tax treatment of deferred profit in stock
3. R&D expenditure is charged to the income statement in the period in which it is incurred except that under IFRS 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 Under US GAAP, all development expenditure is treated as an expense in the Income Statement
4. Removal of the net economic benefit received from GSK, as under US GAAP this is treated as an additional capital contribution

ViiV Healthcare Limited
Notes to the financial statements
For the year ended 31st December 2013

Balance sheet as at 31st December 2013

	IFRS As at 31st December 2013 £'000	Note A	Note B	Note C	Note D	Note E	US GAAP as at 31st December 2013 £'000
Assets							
Cash and cash equivalents	675,359	-	-	-	-	-	675,359
Accounts Receivable	260,859	-	-	(16,345)	-	-	244,514
Inventories	21,077	-	-	-	-	-	21,077
Taxes and other current assets	40,280	52,940	-	-	(8,957)	-	84,263
Total current assets	997,575	52,940	-	(16,345)	(8,957)	-	1,025,213
Goodwill	203,733	-	-	-	-	-	203,733
Identifiable intangible assets, less accumulated amortisation	2,006,387	-	-	-	-	(28,361)	1,978,026
Investments in affiliates	-	-	-	-	-	-	-
Other assets, deferred taxes and deferred charges	62,433	(47,470)	-	-	-	-	14,963
Total assets	3,270,128	5,470	-	(16,345)	(8,957)	(28,361)	3,221,935
Liabilities and Shareholders' Equity							
Short-term borrowings and overdraft	(514)	-	-	-	-	-	(514)
Accounts payable	(91,514)	-	-	-	-	-	(91,514)
Income taxes payable	(4,407)	-	-	-	-	-	(4,407)
Other current liabilities (inc deferred taxes)	(366,567)	-	48,548	-	-	-	(318,019)
Total current liabilities	(463,002)	-	48,548	-	-	-	(414,454)
Other Provisions	(6,666)	-	-	-	-	-	(6,666)
Long-term borrowings	(752)	-	-	-	-	-	(752)
Deferred taxes	(185,653)	(5,470)	-	-	-	5,000	(186,123)
Other non-current liabilities	(2,060,439)	-	1,002,938	-	-	-	(1,057,501)
Total liabilities	(2,716,512)	(5,470)	1,051,486	-	-	5,000	(1,665,496)
Common stock	(11)	-	-	-	-	-	(11)
Additional paid in capital	(341,000)	-	-	(83,594)	-	-	(424,594)
Retained earnings (and Reserves)	(212,605)	(31,376)	(1,051,486)	99,939	8,957	23,361	(1,163,210)
Accumulated other comprehensive (income)/expense	-	31,376	-	-	-	-	31,376
Total shareholders' equity	(553,616)	-	(1,051,486)	16,345	8,957	23,361	(1,556,439)
Total liabilities and shareholders' equity	(3,270,128)	(5,470)	-	16,345	8,957	28,361	(3,221,935)

Balance sheet as at 31st December 2012

	IFRS As at 31st December 2012 £'000	Note A	Note B	Note C	Note D	Note E	US GAAP as at 31st December 2012 £'000
Assets							
Cash and cash equivalents	755,812	-	-	-	-	-	755,812
Accounts Receivable	272,002	-	-	-	-	-	272,002
Inventories	16,458	-	-	-	-	-	16,458
Taxes and other current assets	817	65,273	-	-	(8,617)	-	57,473
Total current assets	1,045,089	65,273	-	-	(8,617)	-	1,101,745
Goodwill	203,179	-	-	-	-	-	203,179
Identifiable intangible assets, less accumulated amortisation	2,047,388	-	-	-	-	-	2,047,388
Investments in affiliates	4,454	-	-	-	-	-	4,454
Other assets, deferred taxes and deferred charges	68,371	(58,072)	-	-	-	-	10,299
Total assets	3,368,481	7,201	-	-	(8,617)	-	3,367,065
Liabilities and Shareholders' Equity							
Short-term borrowings and overdraft	(8,858)	-	-	-	-	-	(8,858)
Accounts payable	(63,736)	-	-	-	-	-	(63,736)
Income taxes payable	(6,506)	-	-	-	-	-	(6,506)
Other current liabilities (inc deferred taxes)	(342,873)	-	9,868	-	-	-	(333,005)
Total current liabilities	(421,973)	-	9,868	-	-	-	(412,105)
Other Provisions	(10,173)	-	-	-	-	-	(10,173)
Long-term borrowings	(414)	-	-	-	-	-	(414)
Deferred taxes	(272,707)	(7,201)	-	-	-	-	(279,908)
Other non-current liabilities	(1,656,349)	-	764,743	-	-	-	(891,606)
Total liabilities	(2,361,616)	(7,201)	774,611	-	-	-	(1,594,206)
Common stock	(11)	-	-	-	-	-	(11)
Additional paid in capital	(341,000)	-	-	(80,553)	-	-	(421,553)
Retained earnings (and Reserves)	(665,854)	(20,861)	(774,611)	80,553	8,617	-	(1,372,156)
Accumulated other comprehensive (income)/expense	-	20,861	-	-	-	-	20,861
Total shareholders' equity	(1,006,865)	-	(774,611)	-	8,617	-	(1,772,859)
Total liabilities and shareholders' equity	(3,368,481)	(7,201)	-	-	8,617	-	(3,367,065)

Notes

A Reclassifications (i) under US GAAP the current portion of the deferred tax asset and liability is reclassified into current assets and current liabilities based on the classification of the underlying balance to which the deferred tax relates and (ii) foreign currency gains/losses on the translation of assets and liabilities held by entities whose functional currencies are not GBP are recorded in retained earnings under IFRS and in accumulated other comprehensive income/expense under US GAAP

B Removal of the liability for estimated future preferential dividends payable to GSK as this does not meet the conditions for recognition under SFAS 5 and is a balance with an entity under common control

C Removal of the net economic benefit receivable from GSK as this is a balance with an entity under common control Payments received from GSK are treated as additional capital contributions under US GAAP

D Adjustment to reflect the different tax treatment of deferred profit in stock

E R&D expenditure is charged to the income statement in the period in which it is incurred Under IFRS 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 Under US GAAP, all development expenditure is treated as an expense in the Income Statement

Directors' statement of responsibilities in relation to the Company's financial statements

Financial statements of ViiV Healthcare Limited prepared under UK GAAP

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

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors have prepared the Company financial statements in accordance with United Kingdom Accounting Standards and applicable law (United Kingdom Generally Accepted Accounting Practice) Under company law the Directors must not approve the Company financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company for that period

In preparing those 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, and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,

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 to enable them to ensure that the Company financial statements comply with the Companies Act 2006 They 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

Disclosure of information to auditors

The Directors in office at the date of this Report have each confirmed that

- so far as he or she is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- he or she has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006

Going concern basis

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future For this reason, they continue to adopt the going concern basis in preparing the financial statements

Independent auditors

PricewaterhouseCoopers LLP are willing to continue in office as auditors and resolutions dealing with their reappointment and remuneration will be proposed at a General Meeting of the Company

On behalf of the Board

D Limet

Director

27th March 2014

ViiV Healthcare Limited

Independent auditors' report to the members of ViiV Healthcare Limited

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below

- give a true and fair view of the state of the parent company's , ViiV Healthcare Limited's (the "Company"), affairs as at 31 December 2013,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

This opinion is to be read in the context of what we say in the remainder of this report

What we have audited

The financial statements for the year ended 31 December 2013, which are prepared by ViiV Healthcare Limited, comprise

- Company balance sheet, and
- related notes

The financial reporting framework that has been applied in their preparation comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates In making such estimates, they have made assumptions and considered future events

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)') An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed,
- the reasonableness of significant accounting estimates made by the directors, and
- the overall presentation of the financial statements

In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit

If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit, or

- adequate accounting records have not been kept, 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

We have no exceptions to report arising from this responsibility

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made We have no exceptions to report arising from this responsibility

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' statement of responsibilities set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

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

Other matters

We have reported separately on the Group financial statements of ViiV Healthcare Limited for the year ended 31st December 2013

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

27th March 2014

ViiV Healthcare Limited
Company balance sheet – UK GAAP
at 31st December 2013

	Notes	2013 £000	2012 £000
Fixed assets			
Investments	D	**2,444,415**	2,444,415
Current assets			
Debtors	E	**57,150**	126,290
Creditors: amounts falling due within one year	F	**(60,917)**	(17,889)
Net current (liabilities)/assets		**(3,767)**	108,401
Total assets less current liabilities		**2,440,648**	2,552,816
Creditors: amounts falling due after more than one year	F	**(1,753,185)**	(1,733,593)
Net assets		**687,463**	819,223
Capital and reserves			
Called up share capital	G	**11**	11
Share premium account	H	**341,000**	341,000
Other reserves	H	**(437,111)**	(374,360)
Profit and loss account	H	**783,563**	852,572
Total shareholders' funds		**687,463**	819,223

The financial statements on pages 66 to 70 were approved by the Board of Directors on 27th March 2014 and signed on its behalf by

D Limet

Director

ViiV Healthcare Limited

Registered number 06876960

ViiV Healthcare Limited
Notes to the company balance sheet – UK GAAP
at 31st December 2013

A Presentation of the financial statements

Description of business

ViiV Healthcare is a specialist HIV group of companies focused solely on the research, development and commercialisation of HIV medicines On 12th August 2013 ViiV Healthcare received FDA approval for *Tivicay* in the US This resulted in an equity shift of 0 9% from Pfizer to GSK as per the shareholders agreement The economic interest in the Group is now held 77 4% by GSK, 12 6% by Pfizer and 10% by Shionogi

Preparation of financial statements

The financial statements, which are prepared on a going concern basis, are drawn up in accordance with UK generally accepted accounting principles (UK GAAP) and with UK accounting presentation as at 31st December 2013, with comparative figures as at 31st December 2012

As permitted by s 408 of the Companies Act 2006, the profit and loss account of the Company is not presented in this Annual Report

Accounting convention and standards

The balance sheet has been prepared using the historical cost convention and complies with applicable UK accounting standards

Accounting principles and policies

The preparation of the balance sheet in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet Actual amounts could differ from those estimates

The balance sheet has been prepared in accordance with the Company's accounting policies approved by the Board and described in Note B

B Accounting policies

Foreign currency transactions

Foreign currency transactions are recorded at the exchange rate ruling on the date of transaction Foreign currency assets and liabilities are translated at rates of exchange ruling at the balance sheet date

Dividends paid and received

Dividends paid and received are included in the financial statements in the period in which the related dividends are actually paid or received

Expenditure

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

Investments in subsidiary companies

Investments in subsidiary companies are held at cost less any provision for impairment

Impairment of investments

The carrying values of investments are reviewed for impairment when there is an indication that the investment might be impaired Any provision resulting from an impairment review is charged to the income statement in the year concerned

Taxation

Current tax is provided at the amounts expected to be paid applying tax rates that have been enacted or substantively enacted by the balance sheet date

The Company accounts for taxation which is deferred or accelerated by reason of timing differences which have originated but not reversed by the balance sheet date Deferred tax assets are only recognised to the extent that they are considered recoverable against future taxable profits

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse Deferred tax liabilities and assets are not discounted

C Operating profit

A fee of £4k (2012 £6k) relating to the audit of the Company has been charged in operating profit

D Fixed asset investments

	2013	2012
	£'000	£'000
Cost and carrying value at 1st January	**2,444,415**	**2,320,953**
Additions	**-**	**378,000**
Impairment	**-**	**(254,538)**
Cost and carrying value at 31st December	**2,444,415**	**2,444,415**

The directors believe that the carrying value of the investments is supported by their underlying net assets

Details of the principal subsidiary undertakings of the Company as at 31st December 2013 are given in Note I

E Debtors

	2013	2012
	£'000	£'000
Amounts due within one year		
Amounts owed by ViiV Healthcare Group undertakings	**41,484**	124,838
Amounts owed by GSK Group undertakings	**15,082**	-
Amounts owed by Pfizer Group undertakings	**-**	31
Taxation	**584**	1,421
	57,150	126,290

The taxation debtor is due from fellow ViiV Healthcare Group undertakings

F Creditors

	2013 £'000	2012 £'000
Amounts falling due within one year		
Other Creditors	**60,910**	17,882
Accruals and deferred income	**7**	7
	60,917	17,889
Amounts due after more than one year		
Amounts owed to ViiV Healthcare Group undertakings	**1,369,232**	1,369,363
Other creditors	**383,953**	364,230
Corporation Tax		-
	1,753,185	1,733,593

Other creditors represent future preferential dividends due to GSK, Pfizer and Shionogi (Note G)

G Called up share capital

	2013 Number of shares	2012 Number of shares	2013 £'000	2012 £'000
Issued and fully paid				
Class A Shares of £1 each	**6,950**	6,950	**7**	7
Class B Shares of £1 each	**2,798**	2,798	**3**	3
Class C Shares of £1 each	**252**	252	**-**	-
Class D1 & D2 Shares of £1 each	**1,112**	1,112	**1**	1
	11,112	11,112	**11**	11

Holders of Class A, B and C Shares are entitled to both preferential dividends and ordinary dividends Class D shares are split into Class D1 and Class D2 Class D1 are entitled to ordinary dividends and Class D2 are entitled to Shionogi preferred ordinary dividend Preferential dividends are based on the performance of certain assets and are payable in full prior to any ordinary dividend Any amounts that cannot be paid due to insufficient distributable reserves will be carried forward to future years and will be paid in preference to any subsequently declared dividend

The Directors propose an interim ordinary dividend of £370 million in respect of the year ended 31st December 2013 being £40,845 per Class A Share, £16,149 per Class B Share, £15,592 per Class C Share, £66,664 per Class D2 Share and a preferential dividend of £61m being £6,934 per Class A Share, £4,020 per Class B Share, £4,040 per Class C Share and £173 per Class D1 Share The dividend has been calculated in accordance with the revised methodology agreed by the Board on 26th September 2013

The Directors proposed and paid two interim ordinary dividends amounting to £634 million and one preferential dividend of £18 million in respect of the year ended 31st December 2012 The first interim ordinary dividend of £450 million being £55,036 per Class A Share, £22,194 per Class B Share and £21,429 per Class C Share was paid on the 21st March 2013 The second interim ordinary dividend of £184 million being £22,193 per Class A Share, £8,950 per Class B Share, £8,641 per Class C Share and £5,570 per Class D2 Share was paid on the 28th June 2013

ViiV Healthcare Limited
Notes to the company balance sheet – UK GAAP
at 31st December 2013

H Reserves

	Profit and loss account	Share Premium account	Other reserves	**Total reserves**
	£'000	£'000	£'000	**£'000**
At 1st January 2012	926,805		(495,890)	**430,915**
Profit for the financial year	353,304	-	-	**353,304**
Transfer of finance expense related to preferential dividend	(121,665)	-	121,665	-
Preferential dividend to shareholders	(36,865)	-	36,865	-
Ordinary dividends to shareholders	(306,007)	-	-	**(306,007)**
Shionogi preferred ordinary dividend	37,000	-	(37,000)	-
Share premium on share issues	-	341,000	-	**341,000**
At 31st December 2012	**852,572**	**341,000**	**(374,360)**	**819,212**
Profit for the financial year	502,793	-	-	**502,793**
Transfer of finance expense related to preferential dividend	80,633	-	(80,633)	-
Preferential dividend to shareholders	(17,882)	-	17,882	-
Ordinary dividends to shareholders	(634,553)	-	-	**(634,553)**
At 31st December 2013	**783,563**	**341,000**	**(437,111)**	**687,452**

Other reserves represents the preferential dividends payable to shareholders (Note G) and additional value attributed to the original contribution of the former GSK HIV business in Canada in October 2009 following finalisation of the value of the contribution at that date

Other reserves do not affect the calculation of the Company's realised profits available for distribution

I Principal subsidiaries

The principal subsidiaries of the Company as at 31st December 2013 are as follows

Company	**Percentage shares held**	**Class of shares held**	**Country of Incorporation**
ViiV Healthcare UK Limited	100%	Ordinary	England
ViiV Healthcare Overseas Limited	100%	Ordinary	England
ViiV Healthcare Trading Services UK Limited	100%	Ordinary	England
PHIVCO UK Limited	100%	Ordinary	England
PHIVCO UK II Limited	100%	Ordinary	England
ViiV Healthcare UK (No 2) Limited	100%	Ordinary	Jersey
ViiV Healthcare Company	100%	Common	USA