

**ViiV Healthcare UK Limited**  
(Registered number : 06990358)

**Annual Report**

**for the year ended 31 December 2018**

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

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**ViiV Healthcare UK Limited**  
**(Registered number : 06990358)**

**Annual Report**

**for the year ended 31 December 2018**

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**ViiV Healthcare UK Limited**  
**(Registered number: 06990358)**

**Strategic report for the year ended 31 December 2018**

The Directors present their strategic report on ViiV Healthcare UK Limited (the "Company") for the year ended 31 December 2018.

**Principal activities and future developments**

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

The principal activities of the Company are marketing, distribution and selling of HIV products, as well as the development, enhancement, maintenance, protection and exploitation of intellectual property assets owned by the Company which may include but is not limited to, licensing out intellectual property rights relating to pharmaceutical products to the ViiV Healthcare Group of companies (the "Group") and carrying out research and development activities. The Directors do not envisage any change to the nature of the business in the foreseeable future. Additionally, the Company holds an investment in subsidiaries.

**Review of business**

The Company made a profit for the financial year of £31,930,000 (2017: profit of £112,095,000). The Directors are of the opinion that the current level of activity and the year end financial position are satisfactory and will remain so in the foreseeable future.

The profit for the year of £31,930,000 will be transferred to reserves (2017: profit for the year of £112,095,000 transferred to reserves).

**Principal risks and uncertainties**

The Directors of the Company manage the functions, assets and risks related to the intellectual property assets owned by the Company on a business sector, therapy area and stage of product life cycle basis. The principal functions, risks and uncertainties related to the development, enhancement, maintenance, protection and exploitation of intellectual property assets owned by the Group, which include those of the Company, are discussed in the Group's parent company, ViiV Healthcare Limited's Annual Report and financial statements. Please refer to the 2018 ViiV Healthcare Limited's (the parent company of the ViiV Group) Annual Report and financial statements, which does not form part of this report, to ensure a complete understanding of the principal risks and uncertainties of the Group, and therefore the Company.

**Key performance indicators (KPIs)**

The Directors of the Company manage the functions, assets and risks related to the intellectual property assets owned by the Company on a business sector, therapy area and stage of product life cycle basis. Therefore, the Company's Directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the Company's business. The development, performance and position of the Group are discussed in ViiV Healthcare Limited's 2018 Annual Report which does not form part of this report.

**ViiV Healthcare UK Limited**  
**(Registered number: 06990358)**

**Strategic report for the year ended 31 December 2018**

**Approach to Brexit**

In preparing for the UK's exit from the EU (Brexit), the Directors of the Group have taken a risk-based approach to maintain continuity of supply of our medicines to the people in the UK and EU at the Group level, rather than at an individual statutory entity level. For this reason, the Company's Directors believe that a discussion of the Group's approach to Brexit would not be appropriate for an understanding of the impact of Brexit to the position of the Company's business. The Group's approach to Brexit, which includes that of the Company, is discussed in the ViiV Healthcare Limited's 2018 annual report which does not form part of this report.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'D Waterhouse', with a stylized flourish at the end.

D Waterhouse  
Director  
18 July 2019

**ViiV Healthcare UK Limited**  
**(Registered number: 06990358)**

## **Directors' report for the year ended 31 December 2018**

The Directors present their report on the Company and the audited financial statements for the year ended 31 December 2018.

### **Results and dividends**

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

No Interim dividend was declared to the shareholders in 2018. (2017: An interim dividend of £242,500,000 per ordinary share amounting to £970,000,000 was declared and paid to the holders of ordinary shares on 31 December 2017).

No final dividend is proposed to the holders of ordinary shares in respect of the year ended 31 December 2018 (2017: £nil).

### **Research and development**

The Company is responsible for initiating research and development ("R&D") activities, which are carried out by GlaxoSmithKline plc, Shionogi & Co Ltd. and their respective affiliates. The income from these activities includes amounts re-charged to other Group undertakings. In addition the Company has entered into a number of in-licensing initiatives that have strengthened the R&D pipeline, particularly in the later stages.

### **Directors**

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows:

J Anderson	(Appointed on 01 September 2018)
G Reinaud	(Resigned on 04 February 2019)
K Grainger	
D Waterhouse	
C Macdiarmid	(Appointed on 03 May 2019)

No Director had, during the year or at the end of the year, any material interest in any contract of significance to the Company's business.

### **Directors' indemnity**

Each of the Directors who is an individual benefits from an indemnity given by ViiV Healthcare UK Limited. This indemnity is in respect of liabilities arising out of third party proceedings to which the Director is a party by reason of his or her engagement in the business of the Company.

### **Statement of Directors' responsibilities**

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

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

**ViiV Healthcare UK Limited**  
**(Registered number: 06990358)**

## **Directors' report for the year ended 31 December 2018**

### **Statement of Directors' responsibilities (continued)**

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards, comprising FRS 101, have been followed, subject to any departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The following items have been included in the strategic report on pages 1 and 2:

- principal activities and future developments;
- review of business;
- principal risks and uncertainties;
- key performance indicators; and
- approach to Brexit.

### **Governance**

The Company's approach to the Modern Slavery Act 2015 is set by the GlaxoSmithKline plc group. Each year, as part of their governance arrangements, the GlaxoSmithKline plc group formally reviews and approves the approach to the Modern Slavery Act 2015 and has confirmed that the approach is still valid for 2018.

### **Disclosure of information to auditors**

As far as each of the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and the Directors have taken all the steps that ought to have been taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### **Going concern**

The Directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the immediate parent ViiV Healthcare Limited. The Directors have received confirmation that ViiV Healthcare Limited intend to support the Company for at least one year after these financial statements are signed. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

**ViiV Healthcare UK Limited**  
**(Registered number: 06990358)**

**Directors' report for the year ended 31 December 2018**

**Independent auditor**

PricewaterhouseCoopers LLP resigned during the year as the Company's auditor. Subsequently Deloitte LLP were appointed to act as the Company's auditor pursuant to section 485(3) Companies Act 2006.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'D Waterhouse', with a large circular flourish at the end.

D Waterhouse  
Director  
18 July 2019

**ViiV Healthcare UK Limited**  
**(Registered number: 06990358)**

**Independent auditor's report to the members of ViiV Healthcare UK Limited**

**Report on the audit of the financial statements**

**Opinion**

In our opinion, the financial statements of ViiV Healthcare UK Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework".

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

**Other information**

The Directors are responsible for the other information. The other information comprises the information included in the directors' report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.



**ViiV Healthcare UK Limited**  
**(Registered number: 06990358)**

**Independent auditor's report to the members of ViiV Healthcare UK Limited (continued)**

**Other information (continued)**

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

**Responsibilities of directors**

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

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

**Auditor's responsibilities for the audit of the financial statements**

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

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

**Report on other legal and regulatory requirements**

**Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

**ViiV Healthcare UK Limited**  
**(Registered number: 06990358)**

**Independent auditor's report to the members of ViiV Healthcare UK Limited (continued)**

**Matters on which we are required to report by exception**

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

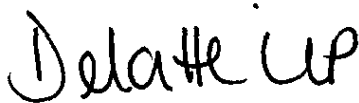
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law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

We have nothing to report in respect of these matters.

**Use of our report**

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

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



Deloitte LLP  
Statutory Auditor  
London, United Kingdom  
18 July 2019

**ViiV Healthcare UK Limited**  
**(Registered number: 06990358)**

**Income statement**  
**for the year ended 31 December 2018**

	Notes	<b>2018</b> <b>£'000</b>	<b>2017</b> <b>£'000</b>
Turnover	4	<b>251,531</b>	351,164
Cost of sales		<b>(62,009)</b>	(55,617)
Gross profit		<b>189,522</b>	295,547
Selling and distribution costs		<b>(11,954)</b>	(9,859)
Administrative expenses		<b>(101,963)</b>	(105,229)
Research and development expenditure		<b>(30,724)</b>	(29,945)
Other operating income		<b>104,989</b>	80,634
<b>Operating profit</b>	5	<b>149,870</b>	231,148
<b>Profit before interest and taxation</b>		<b>149,870</b>	231,148
Finance expense	7	<b>(123,700)</b>	(117,284)
<b>Profit before taxation</b>		<b>26,170</b>	113,864
Taxation	8	<b>5,760</b>	(1,769)
<b>Profit for the year</b>		<b>31,930</b>	112,095

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

**ViiV Healthcare UK Limited**  
**(Registered number: 06990358)**

**Statement of comprehensive income**  
**for the year ended 31 December 2018**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Profit for the year</b>	<b>31,930</b>	<b>112,095</b>
<b>Items that may be subsequently reclassified to the income statement:</b>		
Fair value movement on investment in subsidiary	<b>363,000</b>	<b>(196,500)</b>
<b>Other comprehensive income for the year</b>	<b>363,000</b>	<b>(196,500)</b>
<b>Total comprehensive income for the year</b>	<b>394,930</b>	<b>(84,405)</b>

**ViiV Healthcare UK Limited**  
**(Registered number: 06990358)**

**Balance sheet**  
**as at 31 December 2018**

	Notes	2018 £'000	2017 £'000
<b>Non-current assets</b>			
Intangible assets	10	4,015	2,513
Investments in subsidiaries	11	7,057,000	6,694,000
Total non-current assets		7,061,015	6,696,513
<b>Current assets</b>			
Inventories		950	-
Trade and other receivables	12	403,907	318,995
Cash and cash equivalents		38	272
Total current assets		404,895	319,267
<b>Total assets</b>		<b>7,465,910</b>	<b>7,015,780</b>
<b>Current liabilities</b>			
Trade and other payables	13	(1,077,408)	(1,023,105)
Accruals	14	(36,555)	(35,947)
Total current liabilities		(1,113,963)	(1,059,052)
<b>Net current liabilities</b>		<b>(709,068)</b>	<b>(739,785)</b>
<b>Total assets less current liabilities</b>		<b>6,351,947</b>	<b>5,956,728</b>
<b>Non-current liabilities</b>			
Trade and other payables	13	(1,500,000)	(1,500,000)
Deferred tax liabilities	8	(452)	(163)
<b>Total non-current liabilities</b>		<b>(1,500,452)</b>	<b>(1,500,163)</b>
<b>Total liabilities</b>		<b>(2,614,415)</b>	<b>(2,559,215)</b>
<b>Net assets</b>		<b>4,851,495</b>	<b>4,456,565</b>
<b>Equity</b>			
Share capital	15	-	-
Share premium		1,500,000	1,500,000
Other reserves	16	3,203,004	2,840,004
Retained earnings		148,491	116,561
<b>Shareholders' equity</b>		<b>4,851,495</b>	<b>4,456,565</b>

The financial statements on pages 9 to 28 were approved by the Board of Directors on 18 July 2019 and signed on its behalf by:



D Waterhouse  
Director

**ViiV Healthcare UK Limited**  
**(Registered number: 06990358)**

**Statement of changes in equity**  
**for the year ended 31 December 2018**

	Notes	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
<b>At 1 January 2017</b>		-	1,500,000	3,036,504	974,466	5,510,970
Profit for the year		-	-	-	112,095	112,095
Other comprehensive loss		-	-	(196,500)	-	(196,500)
Total comprehensive income for the year		-	-	(196,500)	112,095	(84,405)
Dividends to shareholders	9	-	-	-	(970,000)	(970,000)
<b>At 31 December 2017</b>		-	1,500,000	2,840,004	116,561	4,456,565
Profit for the year		-	-	-	31,930	31,930
Other comprehensive income		-	-	363,000	-	363,000
Total comprehensive income for the year		-	-	363,000	31,930	394,930
<b>At 31 December 2018</b>		-	1,500,000	3,203,004	148,491	4,851,495

**ViiV Healthcare UK Limited**  
**(Registered number: 06990358)**

**Notes to the financial statements for the year ended 31 December 2018**

**1 Presentation of the financial statements**

**General information**

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

The principal activities of the Company are marketing, distribution and selling of HIV products, as well as the development, enhancement, maintenance, protection and exploitation of intellectual property assets owned by the Company which may include but is not limited to, licensing out intellectual property rights relating to pharmaceutical products to the ViiV Healthcare Group of companies (the "Group") and carrying out research and development activities. The Directors do not envisage any change to the nature of the business in the foreseeable future. Additionally, the Company holds an investment in subsidiaries.

**2 Summary of significant accounting policies**

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

**(a) Basis of preparation**

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

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

These financial statements have been prepared on the going concern basis under the historical cost convention, as modified by the revaluation of investment in a subsidiary and in accordance with the Companies Act 2006.

The financial statements are presented in Pounds Sterling.

***Disclosure exemptions adopted***

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payments' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined).
- The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations.
- The requirements of paragraph 33(c) of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.
- IFRS 7, 'Financial instruments: disclosures'.
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).

**ViiV Healthcare UK Limited**  
(Registered number: 06990358)

**Notes to the financial statements for the year ended 31 December 2018**

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

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

***Disclosure exemptions adopted (continued)***

- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  - (i) paragraph 79(a) (iv) of IAS 1.
  - (ii) paragraph 73(e) of IAS 16 Property, plant and equipment.
  - (iii) paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period).
  - (iv) paragraph 76 and 79(d) of IAS 40 Investment property; and
  - (v) paragraph 50 of IAS 41 Agriculture.
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d) (statement of cash flows),
  - 10(f) (a balance sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or make a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
  - 16 (statement of compliance with all IFRS),
  - 38A (requirements for minimum of two primary statements, including cash flow statements),
  - 38B-D (additional comparative information),
  - 40A-D (requirements for a third balance sheet),
  - 111 (cash flow statement information), and
  - 134 - 136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 and 18A of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more wholly owned members of a group and
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets.

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

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

**(b) Consolidation**

The Company is a subsidiary of the ultimate parent company and as such has taken advantage of the exemption from preparing group financial statements under section 400 of the Companies Act 2006. It has also met all of the exemption conditions under section 400 of the Companies Act 2006. GlaxoSmithKline plc, a company registered in England and Wales, is the Company's ultimate parent undertaking and controlling party. The largest and smallest group of undertakings for which group financial statements are prepared and which include the results of the Company, are the consolidated financial statements of GlaxoSmithKline plc. Copies of the consolidated financial statements can be obtained from the Company Secretary, GlaxoSmithKline plc, 980 Great West Road, Brentford, Middlesex TW8 9GS. The immediate parent undertaking is ViiV Healthcare Limited. These financial statements are separate financial statements.



**ViiV Healthcare UK Limited**  
**(Registered number: 06990358)**

**Notes to the financial statements for the year ended 31 December 2018**

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

**(c) Implementation of IFRS 9 'Financial Instruments'**

The Company has applied IFRS 9 'Financial instruments' with effect from 1 January 2018. IFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities and impairment for financial assets.

Details of these new requirements as well as their impact on the Company's financial statements are described below. The Company has adopted IFRS 9 retrospectively but with certain permitted exceptions as detailed below.

**Classification and measurement of financial assets**

The date of initial application was 1 January 2018. The Company has not applied the requirements of IFRS 9 to instruments that were derecognised prior to 1 January 2018 and has not restated prior years. Any difference between the previous carrying amount and the revised carrying amount at 1 January 2018 has been recognised as an adjustment to opening retained earnings at 1 January 2018.

All financial assets that are within the scope of IFRS 9 are required to be measured at amortised cost with movements through the statement of comprehensive income on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The Company's trade and other receivables were all classified as financial assets measured at amortised cost under IAS 39. Under IFRS 9, the business model under which each portfolio of trade and other receivables held has been assessed. The Company has portfolio under IFRS 9 to collect the contractual cash flows which is measured at amortised cost.

There were no material changes in the carrying value of the financial assets as a result of these changes in measurement basis.

**Impairment of financial assets**

IFRS 9 requires an expected credit loss (ECL) model to be applied to financial assets rather than the incurred credit loss model required under IAS 39. The expected credit loss model requires the Company to account for expected losses as a result of credit risk on initial recognition of financial assets and to recognise changes in those expected credit losses at each reporting date.

12-month ECLs are applied to all financial assets not measured at FVTPL except for net trade receivables which are measured reflecting lifetime ECLs using the simplified approach. No ECL allowance for trade receivables was recognised on transition to IFRS 9. There were no other transition adjustments arising from the change in impairment basis.

**(d) Implementation of IFRS 15 'Revenue from contracts with customers'**

The Company has applied IFRS 15 'Revenue from contracts with customers' with effect from 1 January 2018. IFRS 15 provides a single, principles-based approach to the recognition of revenue from all contracts with customers. It focuses on the identification of performance obligations in a contract and requires revenue to be recognised when or as those performance obligations are satisfied.

The Company adopted IFRS 15 applying the modified retrospective approach. IFRS 15 did not have a material impact on the amount or timing of recognition of reported revenue.

**ViiV Healthcare UK Limited**  
(Registered number: 06990358)

**Notes to the financial statements for the year ended 31 December 2018**

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

**(e) Foreign currency transactions**

Foreign currency transactions are booked in the functional currency of the Company at the exchange rate ruling on the date of the transaction. Foreign currency monetary assets and liabilities are translated into the functional currency at rates of exchange ruling at the balance sheet date. Exchange differences are included in the income statement. The functional and presentation currency of the Company is Pounds Sterling.

**(f) Turnover**

**Turnover from distribution and sale of products**

The Company recognises turnover for supply of goods to external customers or other Group companies against orders received. The majority of contracts that the Company enters into relate to sales orders containing single performance obligations for the delivery of HIV products. The average duration of a sales order is less than 12 months.

Turnover is recognised when control of the goods is passed to the customer. The point at which control passes is determined by each customer arrangement.

Product turnover represents net invoice value including fixed and variable consideration. Variable consideration arises on the sale of goods as a result of discounts and allowances given and accruals for estimated future returns and rebates. Turnover is not recognised in full until it is highly probable that a significant reversal in the amount of cumulative turnover recognised will not occur. 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. Once the uncertainty associated with the returns and rebates is resolved, turnover is adjusted accordingly. Value added tax and other sales taxes are excluded from turnover.

**Turnover from IP owning activities**

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

The residual return is a result of the overall supply and management of HIV products for combined output and not separately identifiable, hence it is considered a single performance obligation.

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

**(g) Expenditure**

Expenditure is recognised in respect of goods and services received when supplied in accordance with contractual terms. A provision is made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated. Advertising expenditure is charged to the income statement as incurred. Shipment costs on inter-company transfers are charged to cost of sales. Distribution costs on sales to customers are included in selling and distribution costs in the income statement.

**ViiV Healthcare UK Limited**  
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**Notes to the financial statements for the year ended 31 December 2018**

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

**(h) Royalty income**

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

**(i) Dividends paid and received**

Interim dividends received are included in the income statement in the year in which the right to receive the payment is established. Interim dividends paid are deducted from reserves in the year in which they are paid. Final dividends are recorded in the reserves upon shareholder approval.

**(j) Research and development**

Research and development expenditure is charged to the income statement in the year in which it is incurred. Development expenditure is capitalised when the criteria for recognising an asset are met, usually when a regulatory filing has been made in a major market and approval is considered highly probable.

**(k) Finance expense**

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

**(l) Share based payments**

Incentives in the form of shares in Company's ultimate parent company, GlaxoSmithKline plc, that are provided to employees under share option and share award schemes are fair valued at their grant dates and the cost is charged to the income statement.

**(m) 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, where appropriate) or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. 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.

**(n) Intangible assets**

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

Licences and patents rights, separately acquired are amortised over their estimated useful lives generally not exceeding 20 years, using the straight-line basis, from the time they are available for use. The estimated useful lives for determining the amortisation charge take into account patent lives, where applicable, as well as the value obtained from periods of non-exclusivity. Asset lives are reviewed, and where appropriate adjusted, annually. Any development costs incurred by the Company and associated with acquired licences, patents rights, are written off to the 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.

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**Notes to the financial statements for the year ended 31 December 2018**

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

**(o) Investment in subsidiaries**

Investments in direct subsidiaries are held at fair value with remeasurement gains and losses recognised directly in reserves. The Company prepares separate financial statements under IAS 27 'Separate Financial Statements' and has accounted for investment in subsidiaries in accordance with IFRS 9, as per paragraph 10 of IAS 27. The same accounting treatment is applied for all investments in subsidiaries. Details of the valuation of investment in subsidiaries is disclosed in Note 3(b).

**(p) Impairment of non-current assets**

The carrying values of all non-financial assets are reviewed for impairment, either on a standalone basis or as part of a larger cash generating unit, when there is an indication that the assets might be impaired. Any provision for impairment is charged to the income statement in the year concerned.

Impairment losses on other non-financial assets are only reversed if there has been a change in estimates used to determine recoverable amounts and only to the extent that the revised recoverable amounts do not exceed the carrying values that would have existed, net of depreciation or amortisation, had no impairments been recognised.

**(q) Trade and other receivables**

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

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

Subsequent recoveries of amounts previously provided for are credited to the income statement.

**(r) 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.

**(s) Trade and other payables**

Trade and other payables are initially recognised at fair value and then held at amortised cost using the effective interest method.

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**Notes to the financial statements for the year ended 31 December 2018**

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

**(t) Taxation**

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

Deferred tax is provided in full, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is provided using rates of tax that have been enacted or substantively enacted by the balance sheet date.

**(u) Share capital**

Ordinary shares are classified as equity.

**(v) Turnover for periods up to and including 31 December 2017**

Turnover relates to the receipt of a distribution return from the manufacture and distribution of pharmaceutical product for which it owns the intellectual property rights. Whereby the distribution return is an income, it is categorised as Turnover. Distribution losses are recorded in Cost of Sales.

Turnover is recognised when the third party or intercompany revenue, and associated expenses of the product cause the title and risk of loss to pass to the customer and/or intercompany counterparty. 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.

**(w) Trade and other receivables for periods up to and including 31 December 2017**

Trade and other 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 or other receivable is determined to be uncollectable it is written off, firstly against any provisions available and then to the income statement.

Subsequent recoveries of amounts previously provided for are credited to the income statement.

**3 Critical accounting judgements and key sources of estimation uncertainty**

In preparing the financial statements, the Directors are required to make estimates and assumptions that affect the amounts of assets, liabilities, revenue and expenses reported in the financial statements. Actual amounts and results could differ from those estimates.

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

**ViiV Healthcare UK Limited**  
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**Notes to the financial statements for the year ended 31 December 2018**

**3 Critical accounting judgements and key sources of estimation uncertainty (continued)**

**(a) Turnover**

**Turnover from non distribution and sale of products**

Gross turnover is reduced by rebates, discounts, allowances and product returns given or expected to be given, which vary by product arrangement 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 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 for rebates and returns 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. Turnover is not recognised in full until it is highly probable that a significant reversal in the amount of cumulative turnover recognised will not occur. Future events could cause the assumptions on which the accruals are based to change, which could affect the future results of the Company.

**Turnover from IP owning activities**

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

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

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

**(b) Valuation of investment in subsidiaries**

Management has estimated a fair value of the investment in direct subsidiaries of £7,057,000,000 (2017: £6,890,500,000) using a discounted future cash flow model. The fair value movements of the investment in direct subsidiaries are accounted for in the fair value reserve. The assumptions relating to the future cash flows, growth rates and discount rates are based on business forecasts and are therefore inherently judgemental. Future events could cause the assumptions used in the cash flow model to change which would result in a movement in the asset's fair value in the next accounting period. The increase in fair value recognised during the year was £363,000,000 (2017: decrease of £196,500,000).

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**Notes to the financial statements for the year ended 31 December 2018**

**3 Critical accounting judgements and key sources of estimation uncertainty (continued)**

**(c) Intangible asset impairments and useful lives**

Impairment tests on other intangible assets are undertaken if events occur which call into question the carrying values of the assets. Where brands and other intangible assets which are not yet available for use are not amortised, they are subject to annual impairment tests. Valuations for impairment tests are based on established market multiples or risk-adjusted future cash flows over the estimated useful life of the asset, where limited, discounted using appropriate interest rates.

The assumptions relating to future cash flows, estimated useful lives and discount rates are based on business forecasts and are therefore inherently judgemental. Future events could cause the assumptions used in these impairment tests to change with a consequent adverse effect on the future results of the Company.

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

**4 Turnover**

During the years ended 31 December 2018 and 2017, the Company operated in one geographical segment, the United Kingdom, and one class of business, being the licensing to other Group companies and the sale of HIV products to third parties.

**5 Operating profit**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>

**The following items have been charged / (credited) in operating profit:**

Third party royalties	<b>21,163</b>	16,802
Royalties from Group undertakings	-	798
Exchange losses on foreign currency transactions	<b>145</b>	202
Amortisation of intangible assets	<b>241</b>	177
Cost of inventories included in cost of sales	<b>61,768</b>	55,440
Audit Fees	<b>38</b>	35

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**Notes to the financial statements for the year ended 31 December 2018**

**6 Employees**

	<b>2018</b>	2017
	<b>£'000</b>	£'000
<b>Employee costs</b>		
Wages and salaries	<b>37,857</b>	39,768
Social security costs	<b>2,691</b>	2,935
Share based payments	<b>10,211</b>	4,605
	<b>50,759</b>	47,308

**The average monthly number of persons employed by the Company (including Directors)**

	<b>2018</b>	2017
Selling, general and administration	<b>185</b>	175

The average number of Company employees excludes temporary and contract staff.

**7 Finance expense**

	<b>2018</b>	2017
	<b>£'000</b>	£'000
On loans with Group undertakings	<b>(123,700)</b>	(117,284)

£117,000,000 (2017: £117,000,000) of the finance expense relates to the loan payable of £1,500,000,000 to ViiV Healthcare Finance Limited, which incurred interest at a rate of 7.8% per annum.

The remaining finance expense of £6,700,000 (2017: £284,000) relates to call account balance of £965,415,000 (2017: £893,763,000) with ViiV Healthcare Trading Services UK Limited, which incurred interest at LIBOR rate plus 0.25% (2017: LIBOR rate plus 0.25%) per annum.

**8 Taxation**

	<b>2018</b>	2017
	<b>£'000</b>	£'000
<b>Income tax (credit) / charge on profit</b>		
<b>Current tax:</b>		
UK corporation tax	-	2,000
Group relief receivable	<b>(6,193)</b>	-
Adjustments in respect of previous years	<b>144</b>	(339)
Total current tax	<b>(6,049)</b>	1,661
<b>Deferred tax:</b>		
Origination and reversal of timing differences	<b>293</b>	125
Adjustments in respect of previous years	<b>(4)</b>	(2)
Change in tax rate - impact on deferred tax	-	(15)
Total deferred tax	<b>289</b>	108
Total tax (credit) / charge for the year	<b>(5,760)</b>	1,769

The tax assessed for the year is lower (2017: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2018 of 19% (2017: 19.25%). The differences are explained below:



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**Notes to the financial statements for the year ended 31 December 2018**

**8 Taxation (continued)**

<b>Reconciliation of total tax (credit) / charge</b>	<b>£'000</b>	<b>£'000</b>
Profit on ordinary activities before tax	<b>26,170</b>	113,864
Tax on ordinary activities at the UK statutory rate 19% (2017: 19.25%)	<b>4,972</b>	21,915
Effects of:		
Patent Box deduction	<b>(13,463)</b>	(22,079)
Other permanent differences	<b>2,580</b>	2,361
Adjustments in respect of previous years	<b>140</b>	(341)
Rate change in respect of deferred tax	<b>(35)</b>	(15)
R&D tax credits	<b>46</b>	(72)
<b>Total tax (credit) / charge for the year</b>	<b>(5,760)</b>	1,769

Factors that may affect future tax charges:

The UK tax rate for the year ended 31 December 2018 is 19%. A further reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was enacted as part of the Finance Act on 15 September 2016. This will reduce the Company's future current tax charge accordingly.

**Movement in deferred tax assets and liabilities**

	<b>Intangible assets £ '000</b>
At 1 January 2018	<b>(163)</b>
Charge to income statement	<b>(289)</b>
At 31 December 2018	<b>(452)</b>

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

	<b>2018 £'000</b>	<b>2017 £'000</b>
Deferred tax liabilities classified as non- current liabilities	<b>(452)</b>	(163)

**9 Dividends paid**

	<b>£ per share</b>	<b>£ '000</b>
<b>Dividends paid in 2018</b>		
31 December 2018 - 2018 interim dividend paid	-	-
<b>Dividends paid in 2017</b>		
31 December 2017 - 2017 interim dividend paid	242,500,000	<b>970,000</b>

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**Notes to the financial statements for the year ended 31 December 2018**

**10 Intangible assets**

	Licences, patents, etc. £'000
<b>Cost</b>	
At 1 January 2018	3,025
Additions	1,743
At 31 December 2018	4,768
<b>Accumulated amortisation</b>	
At 1 January 2018	(512)
Charge for the year	(241)
At 31 December 2018	(753)
Net book value at 1 January 2018	2,513
Net book value at 31 December	4,015

Intangible asset amortisation is recorded within cost of sales in the income statement.

**11 Investments in subsidiaries**

	Subsidiaries £'000
<b>Fair value</b>	
At 1 January 2017	6,890,500
Decrease in fair value during the year	(196,500)
At 31 December 2017	6,694,000
Increase in fair value during the year	363,000
At 31 December 2018	7,057,000

Investment in subsidiaries mainly comprises investment of 68.61% shares (2017: 68.61%) in ViiV Healthcare UK (No.3) Limited with a cost of £2,009 million (2017: £2,009 million).

Details of the subsidiaries of the Company as at 31 December 2018 are given in Note 20.

The Directors believe that the carrying value of the investments is supported by their underlying net assets and future cash flows.

**12 Trade and other receivables**

	2018 £'000	2017 £'000
<b>Amounts due within one year</b>		
Trade receivables	23,763	21,484
Amounts owed by Group undertakings	377,898	292,646
Amounts owed by GlaxoSmithKline group undertakings	277	22
Other receivables	1,969	4,843
	403,907	318,995

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**Notes to the financial statements for the year ended 31 December 2018**

**12 Trade and other receivables (continued)**

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

**13 Trade and other payables**

	<b>2018</b>	2017
	<b>£'000</b>	£'000
<b>Amounts due within one year</b>		
Trade payables	<b>16,225</b>	17,976
Amounts owed to Group undertakings	<b>966,073</b>	896,501
Amounts owed to GlaxoSmithKline group undertakings	<b>25,132</b>	48,652
Corporation tax	<b>54,003</b>	51,374
Other payables	<b>15,975</b>	8,602
	<b>1,077,408</b>	1,023,105
<b>Amount due after more than one year</b>		
Amounts owed to Group undertakings	<b>1,500,000</b>	1,500,000

The amounts owed to Group undertakings and GlaxoSmithKline group undertakings are unsecured, interest free and repayable on demand except for a call account balance with ViiV Healthcare Trading Services UK Limited of £965,415,000 (2017: £893,763,000) which is unsecured with interest charged at LIBOR rate plus 0.25% (2017: LIBOR rate plus 0.25%) per annum and repayable on demand.

The amounts owed to Group undertakings for more than a year relates to a loan balance with ViiV Healthcare Finance Limited of £1,500,000,000 at a fixed interest rate of 7.8% per annum.

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

**14 Accruals**

	<b>2018</b>	2017
	<b>£'000</b>	£'000
Amounts falling due within one year	<b>36,555</b>	35,947

**15 Share capital**

	<b>2018</b>	2017	<b>2018</b>	2017
	<b>Number of</b>	Number of	<b>£</b>	£
	<b>shares</b>	shares		
<b>Issued and fully paid</b>				
Ordinary Shares of £1 each (2017: £1 each)	<b>4</b>	4	<b>4</b>	4

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**Notes to the financial statements for the year ended 31 December 2018**

**16 Other reserves**

	Fair value reserve £'000
At 1 January 2017	3,036,504
Net fair value movements	(196,500)
At 31 December 2017	2,840,004
Net fair value movements	363,000
At 31 December 2018	3,203,004

Movements in the Fair value reserve relate entirely to revaluations in the Company's direct subsidiaries.

**17 Directors' remuneration**

During the year the Directors of the Company were remunerated as executives of the Group. They received no remuneration in respect of their services to the Company (2017: £nil).

**18 Employee Share Schemes**

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

**Share option plan**

Options are granted to employees to acquire shares at the grant price. In GSK, options 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 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. Grants of restricted shares are normally exercisable at the end of the three year vesting/performance period.

**Performance share award plan**

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. 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 award plan**

The Group operates a Share Value Plan whereby awards are granted to employees to acquire shares or American Depositary Shares (listed on the New York Stock Exchange representing 2 ordinary shares) in GSK at no cost after a three year vesting period. There are no performance criteria attached. Grants of Share value awards are normally exercisable at the end of the three year vesting period.

The share based compensation charge for the above schemes has been recorded in the income statement as administrative expenses of £6.1 million (2017: £4.6 million) and is considered immaterial for further disclosure.

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**Notes to the financial statements for the year ended 31 December 2018**

**19 Related party transactions**

The Company has taken advantage of the exemption afforded by FRS 101 'Reduced disclosure framework' not to disclose any related party transactions with other wholly owned members of the Group, or information around remuneration of key management personnel compensation. The related party transactions that do not qualify for exemptions are detailed below.

The Company is a wholly owned subsidiary of ViiV Healthcare Limited which is operated as a collaborative venture, 78.3% owned by GlaxoSmithKline Mercury Limited (a member of the GlaxoSmithKline group of companies), 10.7% by PHIVCO Luxembourg Sarl., 1.0% by PHIVCO Corp. (both members of the Pfizer Inc. Group of companies) and 10.0% by Shionogi Limited. During the year, the Company undertook significant transactions with entities within the Group and the GlaxoSmithKline group of companies.

Entities from within the GlaxoSmithKline group of companies were engaged to provide support function services to the Company under 'Support Services Agreements' including: financial management and reporting; human resources; payroll services; IT support; property management; legal services; contract manufacturing; management of the Group's UK pension schemes; and management of the Group's employee share schemes. In addition, the Company operates separate agreements with GlaxoSmithKline affiliates for the provision of research and development and for toll-manufacturing services.

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

	<b>GlaxoSmithKline group of companies</b>	<b>GlaxoSmithKline group of companies</b>
	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Purchase of Goods and Services</b>		
GlaxoSmithKline Research & Development Limited	-	128,530
GlaxoSmithKline UK Limited	72	89
GlaxoSmithKline Services Unlimited	11,645	14,356
GSK Commercial Sp. z o.o.	101	-
<b>Payable to related parties</b>		
GlaxoSmithKline Research & Development Limited	(287)	(607)
GlaxoSmithKline Services Unlimited	(23,977)	(19,490)
GlaxoSmithKline UK Limited	-	(11,810)
GlaxoSmithKline Intellectual Property Development Limited	-	(14,824)
GlaxoSmithKline Pharmaceuticals S.A.	(285)	-
GlaxoSmithKline (Ireland) Limited	(130)	-
<b>Receivable from related parties</b>		
GlaxoSmithKline UK Limited	151	-

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**Notes to the financial statements for the year ended 31 December 2018**

**20 Subsidiaries**

The subsidiaries of the Company as at 31 December 2018 are as follows:

<b>Company</b>	<b>Direct shares held (%)</b>	<b>Indirect shares held(%)</b>	<b>Security</b>	<b>Address of the registered office</b>
ViiV Healthcare UK (No.3) Limited	68.61%	-	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England.
ViiV Healthcare Finance 1 Limited	-	68.61%	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England.
ViiV Healthcare Finance Limited	-	68.61%	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England.
	-	68.61%	Redeemable Preference Shares	
Shionogi - ViiV Healthcare LLC	-	68.61%	Common Interests	Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808, United States.
ViiV Healthcare UK (No.6) Limited	100.00%	-		980 Great West Road, Brentford, Middlesex, TW8 9GS, England.