

How the Critical Audit Matter Was Addressed in the Audit

We performed the following audit procedures, amongst others, related to the probability of success of pipeline products and product innovations, likelihood of regulatory approval, future sales growth rates and profit margin levels, and discount rates used in the valuation of the acquired intangible assets:

- Met with the key individuals from the senior leadership team, product category leads and key personnel involved in the forecasting process to discuss and evaluate management's evidence to support future sales growth rates and profitability assumptions;
- Challenged the business assumptions applied by management in estimating sales forecasts, including benchmarking of sales forecasts and product compound annual growth rates to external data for the specific market segment. This included independent market research of expected category growth and assessment of any sources of contradictory evidence;
- Evaluated the probability of success factors related to regulatory approval applied to pipeline products to calculate forecast sales to be derived from future commercialised assets;
- Assessed the historical accuracy of management's forecasts including consumption data and estimates of new sales from innovation;
- Compared the forecast sales to the Plan data (asset by asset internal forecasts) approved by senior management and the Board of directors;
- With the assistance of our fair value specialists, assessed the reasonableness of valuation-specific assumptions used by management, including discount rate and terminal growth rate, and whether these assumptions were consistent with how a well-informed independent third party would value these assets; and
- Tested management review controls over the key inputs and assumptions used in valuation of intangible assets. The controls encompass review of the valuation models, which contain a number of assumptions such as the revenue growth rates, probability of success of pipeline products, profit margins and discount rates.

Valuation of uncertain tax positions, including transfer pricing

Balances impacted: Corporation tax payable, Deferred tax liabilities and Taxation charge

Refer to Notes 3 and 14 to the financial statements

Critical Audit Matter Description

The Group operates in numerous jurisdictions and there are open tax and transfer pricing matters and exposures with UK, US and overseas tax authorities that give rise to uncertain tax positions. There is a range of possible outcomes for provisions and contingencies can be wide and management are required to make certain judgements in respect of estimates of tax exposures and contingencies in order to assess the adequacy of tax provisions, which are sometimes complex as a result of the considerations required over multiple tax laws and regulations.

At 31 December 2019, the Group has recorded provisions of £933 million in respect of uncertain tax positions.

Valuation of uncertain tax positions is disclosed as a key source of estimation uncertainty in note 3 of the Group financial statements with further disclosures included in note 14. The matter is also discussed in the Audit & Risk Committee report within the Corporate Governance section of the Annual Report.

How the Critical Audit Matter Was Addressed in the Audit

With the support of tax specialists, we assessed the appropriateness of the uncertain tax provisions by performing the following audit procedures amongst others:

- Assessed and challenged provisions for uncertain tax positions, and focused our work on those jurisdictions where the Group has the greatest potential exposure and where the highest level of judgement is required;
- Assessed management's policies for recognition and measurement of uncertain tax positions for compliance with the guidance per IFRIC 23;
- Involved our transfer pricing specialists to review the transfer pricing methodology of the Group and associated approach to provisioning;
- Involved our UK, US and international tax and transfer pricing specialists to challenge the conclusions reached by management, both in relation to the expected outcome and the financial impact;
- Considered evidence such as the actual results from the recent tax authority audits and enquiries, third-party tax advice where obtained and our tax specialists' own knowledge of market practice in relevant jurisdictions; and
- Tested key controls over preparation, review and reporting of judgmental tax balances and transactions, which include provisions for uncertain tax provisions.

/s/ Deloitte LLP

London, United Kingdom

6 March 2020

The first accounting period we audited was 31 December 2018

Report of Independent Registered Public Accounting Firm
To the Board of Directors and Shareholders of GlaxoSmithKline plc

Opinion on the Financial Statements

We have audited the accompanying consolidated income statement, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity of GlaxoSmithKline plc (the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2017, including the related notes included in Exhibit 15.3 on pages 166 to 251 (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the results of the Group's operations and its cash flows for the year ended 31 December 2017 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board and in conformity with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on the Group's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Group in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audit of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP
London, United Kingdom
16 March 2018

We served as the Company or its merged predecessors' auditor from 1977 to 2017. Since at least 1974, we also served as auditor of a company acquired by a merged predecessor of the Company.

Table of Contents

Item 19 Exhibits

- 1.1 [Articles of Association of the Registrant as in effect on the date hereof.](#)
- 2.1 [Amended and Restated Deposit Agreement among the Registrant and The Bank of New York Mellon, as Depositary, and the owners and holders from time to time of the American Depositary Shares issued thereunder, including the form of American Depositary Receipt, is incorporated by reference to the post-effective amendment to the Registration Statement on Form F-6 \(No. 333-232726\) filed with the Commission on July 19, 2019.](#)
- 2.2 [Description of the Registrant's securities registered pursuant to Section 12 of the Securities Exchange Act of 1934.](#)
- 4.3 [UK Service Agreement between GlaxoSmithKline Services Unlimited and Emma N. Walmsley dated March 29, 2017 is incorporated by reference to Exhibit 4.3 to the Registrant's Annual Report on Form 20-F filed with the Commission on March 15, 2019 .](#)
- 4.4 [UK Service Agreement between GlaxoSmithKline LLC and Hal V. Barron dated December 16, 2017.](#)
- 4.5 [UK Service Agreement between GlaxoSmithKline Services Unlimited and Iain Mackay dated 18 September 2018 is incorporated by reference to Exhibit 4.5 to the Registrant's Annual Report on Form 20-F filed with the Commission on March 15, 2019.](#)
- 4.6 [Share and Business Sale Agreement relating to the Vaccines Group made on April 22, 2014, as amended and restated on May 29, 2014, as amended on October 9, 2014, and as further amended and restated on March 1, 2015, between Novartis AG and GlaxoSmithKline plc is incorporated by reference to Exhibit 4.9 of the Registrant's Annual Report on Form 20-F filed with the Commission on March 18, 2016. Confidential portions of this exhibit have been omitted pursuant to a request for confidential treatment and filed separately with the SEC.](#)
- 4.7 [Stock and Asset Purchase Agreement by and among Pfizer Inc., GlaxoSmithKline plc and GlaxoSmithKline Consumer Healthcare Holdings Limited dated as of December 19, 2018 is incorporated by reference to Exhibit 4.10 to the Registrant's Annual Report on Form 20-F filed with the Commission on March 15, 2019. Confidential portions of this exhibit have been omitted pursuant to a request for confidential treatment and filed separately with the SEC.](#)
- 4.8 [Amendment Agreement dated July 31, 2019 to the Stock and Asset Purchase Agreement by and among Pfizer Inc., GlaxoSmithKline plc, GlaxoSmithKline Consumer Healthcare Holdings Limited and GlaxoSmithKline Consumer Healthcare Holdings \(No. 2\) Limited dated as of July 31, 2019.](#)
- 4.9 [Shareholders' Agreement among GlaxoSmithKline Consumer Healthcare Holdings Limited, Pfizer Inc., PF Consumer Healthcare Holdings LLC, GlaxoSmithKline plc and GlaxoSmithKline Consumer Healthcare Holdings \(No.2\) Limited dated as of July 31, 2019. Certain confidential information contained in this exhibit has been omitted from this exhibit because it is both \(i\) not material and \(ii\) would likely cause competitive harm to the Registrant if publicly disclosed.](#)
- 8.1 [A list of the Registrant's principal subsidiaries is incorporated by reference to the information set forth under "Group Companies" on pages 299 to 310 of the GSK Annual Report 2019 included as Exhibit 15.3.](#)
- 12.1 [Certification Required by Rule 13a-14\(a\) or 15d-14\(a\) under the Securities Exchange Act of 1934 - Emma Walmsley.](#)
- 12.2 [Certification Required by Rule 13a-14\(a\) or 15d-14\(a\) under the Securities Exchange Act of 1934 - Iain Mackay.](#)
- 13.1 [Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 \(Subsections \(a\) and \(b\) of Section 1350, Chapter 63 of Title 18, United States Code\).](#)
- 15.1 [Consent of PricewaterhouseCoopers LLP.](#)
- 15.2 [Consent of Deloitte LLP.](#)
- 15.3* [GSK Annual Report 2019.](#)
- 101.INS** XBRL Instance Document
- 101.SCH** XBRL Taxonomy Extension Schema Document
- 101.CAL** XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF** XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB** XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE** XBRL Taxonomy Extension Presentation Linkbase Document

[Table of Contents](#)

- * Certain of the information included within Exhibit 15.3, which is provided pursuant to Rule 12b-23(a)(3) of the Securities Exchange Act of 1934, as amended, is incorporated by reference in this Form 20-F, as specified elsewhere in this Form 20-F. With the exception of the items and pages so specified, the GSK Annual Report 2019 is not deemed to be filed as part of this Form 20-F.
- ** In accordance with Rule 402 of Regulation S-T, the information in these exhibits shall not be deemed to be “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Signature

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

GlaxoSmithKline plc

March 6, 2020

By: /s/ Iain Mackay

Iain Mackay

Chief Financial Officer