

GLAXOSMITHKLINE PLC

Form 20-F

March 04, 2009

Table of Contents

As filed with the Securities and Exchange Commission on March 4, 2009

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 20-F**

o REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2008

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

o SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-15170

GlaxoSmithKline plc

(Exact name of Registrant as specified in its charter)

England

(Jurisdiction of incorporation or organization)

980 Great West Road, Brentford, Middlesex TW8 9GS England

(Address of principal executive offices)

Simon Bicknell

Company Secretary

GlaxoSmithKline plc

980 Great West Road

Brentford

England

+44 20 8047 5000

company.secretary@gsk.com

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class

Name of Each Exchange On Which Registered

American Depositary Shares, each representing 2

Ordinary Shares, Par value 25 pence

4.850% Notes due 2013

5.650% Notes due 2018

6.375% Notes due 2038

New York Stock Exchange

New York Stock Exchange

New York Stock Exchange

New York Stock Exchange

Edgar Filing: GLAXOSMITHKLINE PLC - Form 20-F

Floating Rate Notes due 2010

New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

(Title of class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

(Title of class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

Ordinary Shares of Par value 25 pence each 5,187,122,079

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or

15(d) of the Securities Exchange Act of 1934.

Yes No

Note: Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See the definitions of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Table of Contents

Table of Contents

Find out more about GSK online...

www.gsk.com

Website

GlaxoSmithKline's website www.gsk.com gives additional information on the Group. Information made available on the website does not constitute part of this Annual Report.

Notice regarding limitations on Director liability under English Law

Under the UK Companies Act 2006, a safe harbour limits the liability of Directors in respect of statements in and omissions from the Report of the Directors contained on pages 12 to 98. Under English law the Directors would be liable to the company (but not to any third party) if the Report of the Directors contains errors as a result of recklessness or knowing misstatement or dishonest concealment of a material fact, but would not otherwise be liable.

Report of the Directors

Pages 12 to 98 inclusive consist of a Report of the Directors that has been drawn up and presented in accordance with and in reliance upon English company law and the liabilities of the Directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

Cautionary statement regarding forward-looking statements

The Group's reports filed with or furnished to the US Securities and Exchange Commission (SEC), including this document and written information released, or oral statements made, to the public in the future by or on behalf of the Group, may contain forward-looking statements. Forward-looking statements give the Group's current expectations or forecasts of future events. A shareholder can identify these statements by the fact that they do not relate strictly to historical or current facts. They use words such as anticipate, estimate, expect, intend, will, project, plan, other words and terms of similar meaning in connection with any discussion of future operating or financial performance. In particular, these include statements relating to future actions, prospective products or product approvals, future performance or results of current and anticipated products, sales efforts, expenses, the outcome of contingencies such as legal proceedings, and financial results. The Group undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Forward-looking statements involve inherent risks and uncertainties. The Group cautions investors that a number of important factors, including those in this document, could cause actual results to differ materially from those contained in any forward-looking statement. Such factors include, but are not limited to, those discussed under Risk factors on pages 50 to 53 of this Annual Report.

Grow

a diversified global business

Deliver

more products of value

Simplify

the operating model

In 2008 we set out three new strategic priorities that aim to improve our long-term financial performance.

We believe these priorities will enable us to navigate the coming years successfully and retain our leading-edge as a company able to meet patients and payers' needs into the future.

Find out more about our priorities on the following pages.

Contents

<u>Chairman and CEO summary</u>	3
<u>Strategy</u>	4
Report of the Directors	
<u>Business review</u>	12
<u>Corporate governance</u>	60
<u>Remuneration Report</u>	78
Financial statements	
<u>Directors' statement of responsibilities</u>	100
<u>Independent Auditors' report</u>	101
<u>Consolidated income statement</u>	102
<u>Consolidated balance sheet</u>	103
<u>Consolidated cash flow statement</u>	104
<u>Consolidated statement of recognised income and expense</u>	105
<u>Notes to the financial statements</u>	106
Shareholder information	
<u>Financial record</u>	182
<u>Product development pipeline</u>	193
<u>Shareholder information</u>	197
<u>Taxation information for shareholders</u>	200
<u>Glossary of terms</u>	201

Table of Contents

2 GSK Annual Report 2008

Our mission

We have a challenging and inspiring mission to improve the quality of human life by enabling people to do more, feel better and live longer.

By focusing our business around our strategic priorities, we're confident that we can fulfil this promise.

Table of ContentsGSK Annual Report 2008 **3****Chairman and CEO summary**

2008 marked a turning point for GSK and we are now in a pivotal period of change as we redefine our business model to increase sales growth, reduce risk and deliver long-term sustainable financial performance to shareholders.

Financial performance*

We are pleased with the response of the business to what we always knew would be a challenging 12 months, due to the adverse impact of significant US patent expiries and further decline in *Avandia* sales. As anticipated, these factors led to a decline in earnings per share (EPS) for the year, which was compounded by an unexpected legal charge in the fourth quarter.

Total sales for the year were £24.4 billion, down 3% in constant exchange rate (CER) terms, and EPS excluding major restructuring was 104.7p, a decrease of 9% over 2007 in CER terms. Cash generation remains strong, with net cash inflow from operating activities of £7.2 billion, up 17% in sterling terms.

The Board declared a dividend for the year of 57p, up from 53p for 2007. During the year we completed share repurchases of £3.7 billion. We do not expect to make any significant repurchases in 2009. Our financial strategy remains to maintain an efficient balance sheet, while using cash resources to invest in our strategic priorities and increase returns to shareholders through our progressive dividend policy.

The performance of our core pharmaceuticals business and the increasing diversification of its sales base are important indicators of GSK's progress. Our pharmaceutical turnover declined 3% in CER terms, reflecting the adverse impact of generic competition to our patented products and lower *Avandia* and pandemic product sales. Excluding genericised products, *Avandia* and pandemic products, which have significant sales volatility, the remaining pharmaceuticals business delivered £16.4 billion in sales and grew by 10% in CER terms. Within this, vaccines sales rose by 20% to £2.47 billion.

Our sales in emerging markets grew by 12% to £2.3 billion. Sales in Asia Pacific and Japan totalled £1.9 billion; we are now moving into a phase of converting our extensive pipeline in Japan into approved medicines.

In 2008, we continued the good work of the previous year and launched 12 pharmaceutical products including vaccines. We are now also starting to see good traction with our new pharmaceutical products launched in the last two years, which contributed sales of almost £0.8 billion during the year.

Improved productivity and disciplined allocation of capital are key elements of our R&D strategy. We currently have around 30 assets in our late-stage pipeline, a level we aim to sustain. The augmentation of our pipeline, over the past few years, has been accomplished without substantial increases in total R&D expenditure.

*Constant exchange rates (CER) are explained on page 16.

Sales in Consumer Healthcare were just under £4 billion and we are making good progress with our strategy of investment in innovation, acquisitions and marketing excellence in this area of our business.

Strategic priorities

In 2008 we established our three strategic priorities to: grow a diversified global business; deliver more products of value; and simplify the operating model.

These priorities are designed to radically transform our business by reducing our relative dependence on small molecule pharmaceuticals in developed Western markets. We expect to see an increase in the relative importance of our emerging markets and Japanese businesses and an increasingly greater contribution to our business from vaccines and consumer products. We also anticipate a growing capability to deliver more products of value from R&D which will not only deliver benefits to patients but will also more readily meet payers' needs and therefore enable us to achieve more rapid, reimbursed product approvals. Our expanded restructuring programme, which is expected to deliver annual savings of £1.7 billion by 2011, is a vital catalyst of this change.

These priorities and the progress we made to implement them during 2008 are explained on the following pages. You can find more information, including regular updates on progress as we move through 2009, by visiting our website at www.gsk.com

Changes to the Board

Sir Ian Prosser and Dr Ronaldo Schmitz will retire from the Board after the Annual General Meeting. We thank them for their dedicated service to the Boards of GSK and our heritage companies and for the valuable contributions they have made to our business.

In May 2009, we welcome James Murdoch to the Board, as a Non-Executive Director. As the Chairman and Chief Executive of News Corporation Europe and Asia, James brings great experience and expertise to our boardroom, which will be particularly evident in his role as a member of GSK's Corporate Responsibility Committee.

Outlook

We enter 2009 with confidence and expect to make further good progress in implementing our strategic priorities that will enable us to meet our long-term objective of reducing risk and delivering sustainable growth to shareholders. Finally, we would especially like to recognise the enormous contribution of our employees and our wide network of partners. Their willingness, energy and enthusiasm for change are strong foundations on which to build our new business model.

Sir Christopher Gent
Chairman

Andrew Witty
Chief Executive Officer

To find out more visit us at
www.gsk.com

Table of Contents

4 GSK Annual Report 2008

Our strategy

The pharmaceutical industry is experiencing a time of unprecedented challenge. Patent expiries, regulatory issues and increased pressures from healthcare providers have combined to create an environment where our sector is associated with lower growth and higher risk.

We are addressing these challenges through three key strategic priorities which we believe will transform GSK into a company that delivers more growth, less risk and an improved financial performance.

Key challenges

The patents on many medicines that have driven sales growth in our industry over the last decade are coming to an end. These medicines may not be replaced by products of equivalent financial size.

In addition, there are increasing pressures on pharmaceutical companies to deliver products with demonstrable benefits over current treatments. No longer do we merely have to discover and develop products that help people do more, feel better and live longer. We now have to justify that our products represent the greatest value for healthcare providers.

At the same time, the pharmaceutical sector has been exposed to controversy regarding ethical and patient safety issues. As an industry, we are in danger of eroding what trust we already have when we actually need to be building stronger relationships with governments, regulators and the general public.

These factors have combined to move the industry from one which was expected to deliver high growth at low risk, to the very opposite.

Three strategic priorities

In 2008 we established the following three strategic priorities:

Grow a diversified global business

Deliver more products of value

Simplify the operating model

We believe these priorities will enable us to navigate the coming years successfully and retain our leading-edge as a company able to meet patients and healthcare providers needs into the future.

Updates on our progress will be published on our website at www.gsk.com and also feature in our regular financial results.

Corporate responsibility

Running our business in a responsible way is fundamental to our success and inseparable from our strategic priorities. We operate in a way that reflects our values, seeks to understand and respond to stakeholder views and connects our business decisions to ethical, social and environmental concerns. In this way we aim to minimise the negative impacts and maximise the positive benefits of our business.

Responsibility is vital in all parts of our business and we understand the need to be open about how we are operating. We also understand that transparency is a key factor in building trust with our stakeholders and have implemented a number of initiatives to improve the transparency of our activities.

Comprehensive information on our approach to responsibility issues can be found in our annual Corporate Responsibility Report at www.gsk.com/responsibility.

Table of Contents

GSK Annual Report 2008 5

Grow a diversified global business

We are reducing risk by broadening and balancing our portfolio, diversifying into new product areas that show potential, while also fully capturing opportunities for our products across all geographic boundaries.

The plans which underpin this strategic priority:

Drive growth in the pharmaceutical business in our core markets

Deliver our ambitious vaccines forecast

Fulfil the potential of emerging markets

Expand our business in Japan

Grow the Consumer Healthcare business

To find out more go to page 6

Deliver more products of value

We are striving to build one of the strongest pipelines in the industry. We are transforming R&D to ensure that we not only deliver the current pipeline but are also able to sustain a flow of new products for years to come.

The plans which underpin this strategic priority:

Focus on the best science

Diversify through externalisation

Re-personalise R&D

Focus on return on investment

To find out more go to page 8

Simplify the operating model

GSK is a complex organisation. We recognise that we need to simplify our operating model further, changing the way we work, removing unnecessary processes and structures which slow us down and distract us from our mission.

The plans which underpin this strategic priority:

Evolve our commercial model

Re-shape manufacturing

Streamline our processes

Reduce working capital
To find out more go to page 10

Table of Contents

6 GSK Annual Report 2008

We are reducing risk by broadening and balancing our portfolio, diversifying into new product areas that show potential, while also fully capturing opportunities for our products across all geographic boundaries.

Specifically, we expect to generate future sales growth by strengthening our core pharmaceuticals business and supplementing it with increased investment in growth areas such as vaccines, biopharmaceuticals and consumer healthcare.

We are also seeking to unlock the geographic potential of our businesses, particularly in emerging markets and Japan.

We have made good progress on this priority during 2008, and we believe there remain many opportunities for GSK to diversify further.

Grow a diversified global business

Our plans

Drive growth in the pharmaceutical business in our core markets

Our established strengths in the small molecule pharmaceutical sectors of larger markets such as the USA, UK, France, Germany, Italy and Spain remain central to our business. During 2008, we received European approval for *Tyverb* for advanced breast cancer, *Volibris* for the treatment of pulmonary arterial hypertension, *Avamys* a new allergic rhinitis treatment and US approval for *Promacta* for the treatment of thrombocytopenia and *Entereg* for postoperative ileus. In our US pharmaceuticals business we have initiated a major change programme, refocusing marketing to demonstrate value and introducing new product offerings which focus on volume opportunities.

Deliver our ambitious vaccines forecast

Increasingly, healthcare providers recognise the important role that vaccines play in preventative healthcare. Our proven capability and strong pipeline, plus the high barriers to entry faced by our competitors, mean that this is expected to be a source of future growth for GSK.

We are targeting sustained growth in our vaccines portfolio, by launching new vaccines and working to expand our franchise in Japan and emerging markets.

During 2008, *Cervarix* our new cervical cancer vaccine, was successful in approximately 60% of all tenders, achieving several notable successes including Europe's largest vaccination programme against cervical cancer, which is taking place in the UK. The year also saw *Rotarix*, *Boostrix* (adult indication) and *Kinrix* receive approval from the FDA.

Fulfil the potential of emerging markets

Emerging markets feature a less-defined distinction between pharmaceutical, over-the-counter and retail market structure and our ability to operate across this spectrum is a clear competitive advantage. We have an opportunity to improve this capability and further energise our business in fast-growing emerging markets.

Table of Contents

GSK Annual Report 2008 7

In 2008, we entered into an alliance with Aspen Holdings of South Africa. This new relationship gives us priority access to commercialised products from a portfolio of over 1,000 potential products.

As the year ended we acquired a BMS portfolio in Egypt and reached agreement to acquire a BMS portfolio in Pakistan. In early 2009 we also agreed with UCB to acquire its current marketed product portfolio in a range of territories.

Expand our business in Japan

Japan is a key market for GSK investment and growth. We have an extensive product pipeline and expect to launch more than 40 products in this market over the next five years.

Major approvals in this market recently were *Lamictal* for epilepsy and *Adoair* for COPD.

Grow the Consumer Healthcare business

Our Consumer Healthcare business continues to drive growth through a portfolio of powerful brands in three key segments: over-the-counter (OTC) medicines, Oral healthcare and Nutritional healthcare.

The brand portfolio, which includes *alli* for weight loss, *Panadol* a range of analgesics, *Sensodyne* toothpaste and *Lucozade* is supported by a strategy focused on innovation, marketing excellence, geographic expansion and acquisitions.

In September 2008 we launched *Sensodyne* into the Chinese market, our first major consumer launch in the country for a decade. We are now preparing to launch *alli*, the first OTC weight loss product approved by the European Commission, across Europe.

**To find out more visit us at
www.gsk.com**

Table of Contents

8 GSK Annual Report 2008

We are striving to build one of the strongest pipelines in the industry. We are transforming R&D to ensure that we not only deliver our current pipeline of new pharmaceuticals, vaccines and Consumer Healthcare products, but are also able to sustain this flow of new products for years to come.

As we move towards a more diversified business we will concentrate on developing a higher volume of mid-size products for more clearly-defined patient populations. This will help develop a lower risk portfolio which is not dependent on the performance of one or two large products.

Positive steps have already been taken, with 30 late-stage assets currently in our pharmaceuticals and vaccines pipeline. Our objective is to sustain this throughput of products over the long-term.

Our plans

Focus on the best science

Around 75% of assets in our pipeline are entirely new compounds or vaccines, demonstrating our strong drive towards innovation.

During the year we rebalanced our Drug Discovery organisation to improve efficiency and focus on the areas of new science that we believe are most likely to lead to new medicines. Together with vaccines, GSK's R&D is now focused on eight therapy areas: Biopharmaceuticals, Immuno-inflammation, Infectious diseases, Metabolic pathways, Neuroscience, Oncology, Ophthalmology and Respiratory.

Diversify through externalisation

We recognise that we do not have a monopoly on the best science. Therefore we have proactively expanded collaborations with external partners as well as with academia to access innovation and strengthen our early pipeline. Recent alliances with organisations such as Cellzome and the Harvard Stem Cell Institute and acquisitions such as that of Sirtris and Genelabs are providing us with competitive advantage in important areas of research.

In the last year, we completed or expanded 21 new drug discovery alliances adding significant breadth and scale to our R&D activities. There are currently 70 discovery units working either inside the company or externally.

Biopharmaceuticals will play an increasingly important role in our future portfolio. Offering a worldwide market of approximately £40 billion with projected compound annual growth of 18% over the next five years, biopharmaceuticals are compounds capable of being manufactured by living organisms, usually cultured cells.

Currently only 6% of our pipeline comprises biopharmaceuticals, which is below the industry average. We have significantly expanded our biopharmaceutical pipeline through in-house discovery, the acquisition of Domantis and by in-licensing late-stage products. There are currently 10 clinical research programmes underway including five assets in late-stage development.

Deliver more products of value

Table of Contents

GSK Annual Report 2008 9

Re-personalise R&D

We want to create an environment where there is no impediment to our best scientists making the kind of discoveries which will transform the company's future by delivering value to patients, healthcare providers and shareholders. 2008 saw the creation of Discovery Performance Units (DPUs) within our Centres of Excellence for Drug Discovery (CEDDs). Each DPU is a compact, fully-empowered, focused and integrated team which has responsibility for a small part of the pipeline.

We have also created new, integrated R&D Units for Biopharmaceuticals and Oncology. The R&D centre we established in China in 2007 is now 200 people strong and has recruited experienced scientists who are dedicated solely to GSK's neurodegenerative research.

Focus on return on investment

We have adopted a more disciplined approach to how and where we allocate resources within R&D. More than 35% of discovery projects have been terminated following our therapy area rebalancing exercise and reviews by the new Drug Discovery Investment Board.

As part of the same process, all our 35 Discovery Performance Units now have three year funding in place to develop their projects.

We realise that reimbursement is the key to long-term financial performance and we are working hard to bring a health outcome focus to R&D which will in turn deliver greater value to healthcare providers. For example, in Europe direct dialogue now exists between payer organisations and our R&D teams to improve our understanding of the perceived benefit and value of new products.

**To find out more visit us
at www.gsk.com**

Table of Contents

10 GSK Annual Report 2008

GSK is a complex organisation. We recognise that we need to simplify our operating model further, changing the way we work, removing unnecessary processes and structures which slow us down and distract us from our mission.

Our global restructuring programme is a vital catalyst of our strategy. We believe it will radically change our business model giving us the capability to support a more diverse, growing business that is also expected to be more profitable in the long-term.

Simplify the operating model

Our plans

Evolve our commercial model

We have reorganised so that we now have one single commercial support structure for Europe, Emerging Markets and Asia Pacific/Japan. In the USA, we have radically restructured our pharmaceuticals business. This includes the transformation of the US sales force as well as the decision to designate a single headquarters for US Pharmaceuticals, located at Research Triangle Park, North Carolina to reduce complexity and streamline our US operations.

Re-shape manufacturing

Manufacturing is a key capability at GSK and we are taking an ambitious approach to re-shaping our operations. We are moving to match network capacity more closely to volume and are leveraging our network of sites and contractors to ensure the flexibility to sustain growth and adapt to changing business models.

We continue to improve the efficiency of our sites, by applying benchmarked studies and seizing opportunities to do more with less. In addition, we are simplifying our operating model to clarify roles and responsibilities, to improve prioritisation and decision making and to introduce simpler, more efficient ways of working.

Streamline our processes

We are simplifying our organisation to speed up decision-making and improve alignment to our business priorities. There are many different programmes and initiatives across GSK including a comprehensive programme to simplify and reduce costs in IT. Through an innovative partnership with Microsoft Online we will produce financial savings, improve productivity and enhance collaboration internally and with our external partners.

Table of Contents

GSK Annual Report 2008 **11**

We are striving to ensure that cross-business processes and structures are simpler and more efficient. For example, a number of reviews are currently underway to simplify our support functions infrastructure and create a leaner corporate centre.

Reduce working capital

Our current working capital requirement is around £8 billion. In September 2008, we started a programme which has successfully delivered cash flow benefits of more than £500 million, which we are using to invest in our strategic priorities.

**To find out more visit us at
www.gsk.com**

Table of Contents

12 GSK Annual Report 2008

Report of the Directors**Financial trends and ratios**

Total results	2008		Growth*	2007		Growth*	2006
	£m	CER%	£%	£m	CER%	£%	£m
Turnover	24,352	(3)	7	22,716	2	(2)	23,225
Cost of sales	(6,415)	13	21	(5,317)	8	6	(5,010)
Selling, general and administration	(7,656)	2	10	(6,954)		(4)	(7,257)
Research and development	(3,681)	4	11	(3,327)	(1)	(4)	(3,457)
Other operating income	541			475			307
Operating profit	7,141	(20)	(6)	7,593	3	(3)	7,808
Profit before taxation	6,659	(24)	(11)	7,452	2	(4)	7,799
Profit after taxation for the year	4,712	(25)	(11)	5,310	3	(3)	5,498
Profit attributable to minority interests	110			96			109
Profit attributable to shareholders	4,602			5,214			5,389
Basic earnings per share (pence)	88.6p	(21)	(6)	94.4p	5	(1)	95.5p
Diluted earnings per share (pence)	88.1p			93.7p			94.5p

Results before major restructuring

Turnover	24,352	(3)	7	22,716	2	(2)	23,225
Cost of sales	(5,776)	4	11	(5,206)	6	4	(5,010)
Selling, general and administration	(7,352)		8	(6,817)	(2)	(6)	(7,257)
Research and development	(3,506)	2	8	(3,237)	(3)	(6)	(3,457)
Other operating income	541			475			307
Operating profit	8,259	(10)	4	7,931	8	2	7,808
Profit before taxation	7,782	(14)		7,790	6		7,799
Profit after taxation for the year	5,551	(14)		5,571	8	1	5,498

Profit attributable to minority interests	110			96			109
Profit attributable to shareholders	5,441			5,475			5,389
Basic earnings per share (pence)	104.7p	(9)	6	99.1p	10	4	95.5p
Diluted earnings per share (pence)	104.1p			98.3p			94.5p

Research and development total

Pharmaceuticals	3,557			3,215			
Consumer Healthcare	124			112			
Total	3,681			3,327			

Net finance cost cover total

Net finance costs	530			191			
Cover	14			40			
	times			times			

Net finance cost cover is profit before tax plus net finance costs, divided by net finance costs.

Tax rate total	29.2%			28.7%			
Tax rate before major restructuring	28.7%			28.5%			

Borrowings

Net debt	10,173			6,039			
Gearing	122%			61%			

The gearing ratio is calculated as net debt as a percentage of total equity.

* CER% represents growth at constant exchange rates. Sterling% or £% represents growth at actual exchange rates. See page 13.

The calculation of results before major restructuring, is described in Note 1 to the financial statements, Presentation of the financial statements .

Table of Contents

GSK Annual Report 2008 13
Report of the Directors

Report of the Directors

The Report of the Directors provides users of the financial statements with a more complete picture of GSK. It supplements the information in the financial statements with a discussion of other aspects of our activities, our future and the environment in which we operate.

The report is divided into a number of sections. These are:

Business review

This discusses our financial and non-financial activities, resources development and performance during 2008 and outlines the factors including the trends and the principal risks and uncertainties which are likely to affect future development. This is sub divided into:

<u>Financial trends and ratios</u>	12
<u>2008 Performance overview</u>	14
<u>Products, intellectual property and competition</u>	17
<u>Global manufacturing and supply</u>	20
<u>Research and development</u>	21
<u>Our employees</u>	26
<u>Our responsibility</u>	27
<u>Regulation</u>	32
<u>Economy, world market and outlook</u>	33
<u>Financial review 2008</u>	34
<u>Financial position and resources</u>	43
<u>Risk factors</u>	50
<u>Financial review 2007</u>	54
Corporate governance	
This discusses our management structures and governance procedures. It includes disclosures on compliance with the Combined Code on Corporate Governance of the Financial Reporting Council (Combined Code) and with US laws and regulation.	
<u>Biographies of our Board</u>	60
<u>Biographies of our Corporate Executive Team</u>	62
<u>Governance and policy</u>	64
<u>Dialogue with shareholders</u>	68
<u>Share capital and control</u>	68
<u>Donations to EU political organisations and EU political expenditure</u>	70