GlaxoSmithKline Capital plc
(Registered number: 2258699)

Annual Report
for the year ended 31 December 2019

Registered office address:
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GlaxoSmithKline Capital plc
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GlaxoSmithKline Capital plc
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Strategic report for the year ended 31 December 2019

The Directors present their Strategic report on GlaxoSmithKline Capital plc (the "Company") for the year ended 31 December 2019.

Principal activities and future developments

The Company is a member of the GlaxoSmithKline Group (the "Group"). The principal activities of the Company during the financial year were the issuance of notes under the Group's European Medium Term Note programme and US shelf registration and the provision of financial services to other companies within the Group.

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

Review of business

At 31 December 2019, the Company had in issue £11,807,444,000 European Medium Term Notes and £5,650,654,000 US Medium Term Notes (2018: £11,357,478,000 and £3,137,588,000 respectively) which mature at dates between 2020 and 2045. All notes currently in issue pay interest on a fixed rate basis, with the exception of the €750 million (£676 million) 2020 European Medium Term Note, the €1.5 billion (£1.1 billion) 2021 European Medium Term Note and $750 million (£591 million) 2021 US Medium Term Note which are on a floating rate basis.

On 25 March 2019, three new bonds totalling $3.5 billion were issued under the Group's US shelf registration as follows:

- $1,500 million (£1.1 billion) 2.875% US Medium Term Note 2022;
- $1,000 million (£763 million) 3.000% US Medium Term Note 2024; and
- $1,000 million (£763 million) 3.375% US Medium Term Note 2029.

Net proceeds of the bond issue were applied in full towards the repayment of further outstanding amounts under the acquisition facility ($5bn drawn under a bank facility, which was used to fund the acquisition of Tesaro Inc. in January 2019).

On 23 September 2019, three new bonds totalling €2 billion were issued under the Group's European Medium Term Note programme as follows:

- €1,500 million (1.3 billion) 3M EURIBOR + 60bps European Medium Term Note 2021
- €500 million (0.4 billion) 0.00% European Medium Term Note 2021
- €500 million (0.4 billion) 0.00% European Medium Term Note 2023

The Company made a profit for the financial year of £14,583,000 (2018: £24,520,000), which will be transferred to reserves. 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.

Principal risks and uncertainties

The Directors of GlaxoSmithKline plc manage the risks of the Group at a group level, rather than at an individual statutory entity level. For this reason, the Company's Directors believe that a discussion of the Group's risks would not be appropriate for an understanding of the development, performance or position of the Company's business. The principal risks and uncertainties of the Group, which include those of the Company, are discussed in the Group's 2019 Annual Report which does not form part of this report. There are no additional risks which have not already been addressed by the Group's assessment.

GlaxoSmithKline Capital plc
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Strategic report for the year ended 31 December 2019

Key performance indicators (KPIs)

The Directors of the Group manage the Group's operations on an operating segment basis. For this reason, the Company's Directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the Company's business. The development, performance and position of the Group are discussed in the Group's 2019 Annual Report which does not form part of this report.

Approach to Brexit

In preparing for the UK's exit from the EU (Brexit), our overriding priority has been to maintain continuity of supply of our medicines to people in the UK and EU. As a result, we have taken a risk-based approach to planning and mitigation, in conjunction and complete alignment with GSK, while the future relationship between the UK and EU is negotiated. Our activity has included: arranging the retesting and certifying of our medicines in Europe; submitting marketing authorisation holder transfers; updating packaging; securing additional warehousing; adjusting stock levels in both the UK and EU, and supporting employees in obtaining settled status or equivalent in both the UK and Europe.

Our Brexit plans prepare us for elements that are within our control. Uncertainty remains about the new operating environment, and as a result we support efforts to secure a status quo operating period post-Brexit.

Risks associated with the coronavirus outbreak

The potential impact of the coronavirus outbreak on the Company's access to capital and ability to lend remains uncertain.

Up to the date these financial statements are signed, the outbreak has not had a material impact on the trading results of the Company. However, we continue to monitor the situation closely, including the potential impacts on trading results, our supply continuity and our employees.

The situation could change at any time and there can be no assurance that the coronavirus outbreak will not have a material adverse impact on the future results of the Company.

Post balance sheet events

The directors have considered the impact on the Company of the COVID-19 pandemic, which is a non-adjusting post balance sheet event. The Directors do not consider that there have been any material adverse changes to the carrying values of the Company's assets nor material adjustments to liabilities subsequent to the year-end which require disclosure in these financial statements.

Section 172 Companies Act 2006 statement

The Company's governance architecture and processes operated to ensure that all relevant matters are considered by the Board in its principal decision-making, as a means of contributing to the delivery of the Company's long-term priorities of Innovation, Performance and Trust.

In the performance of its duty to promote the success of the company and the long-term priorities, the Board has agreed to a number of matters, including listening to and considering the views of shareholders and the company's other stakeholders to build trust and ensure it fully understands the potential impacts of the decisions it makes for our stakeholders, the environment and the communities in which we operate.

Matters identified that may affect the Company's performance in the long term are set out in the principal risks disclosed both above and in the Group's 2019 Annual Report.

By order of the Board

Mr A Walker
For and on behalf of Glaxo Group Limited
Corporate Director
27 April 2020

GlaxoSmithKline Capital plc
(Registered number: 2258699)

Directors' report for the year ended 31 December 2019

The Directors present their report and the audited financial statements of GlaxoSmithKline Capital plc (the "Company") for the year ended 31 December 2019.

Results and dividends

The Company's profit for the financial year is shown in the income statement on page 13.

No dividend is proposed to the holders of ordinary shares in respect of the year ended 31 December 2019 (2018: £nil).

Internal control framework

The GlaxoSmithKline plc Board is accountable for evaluating and approving the effectiveness of the internal controls, including financial, operational and compliance controls, and risk management processes operated by the Group. The Internal Control Framework is the means by which the Group ensures the reliability of financial reporting and compliance with laws and regulations.

To ensure effective governance and promote an ethical culture, the Group has in place the Risk Oversight and Compliance Council. This team of senior leaders is mandated by the Board to assist the Audit and Risk Committee in overseeing risk management and internal control activities. It also provides the business units with a framework for risk management and upward escalation of significant risks, of which the Company operates within. Further information on the Group's Internal Control Framework is discussed in the Group's 2019 Annual Report which does not form part of this report.

Financial risk management

The Company issues notes under the Group's European Medium Term Note programme and US shelf registration in order to meet anticipated funding requirements for the Group. The strategy is to diversify liquidity sources using a range of facilities and to maintain broad access to funding markets. Details of derivative financial instruments and hedging, and further information on risk management policies, exposures to market, credit and liquidity risk are disclosed in Note 2(m) and Note 4 respectively.

The Company manages its cash flow interest rate risk on its forecasted Euro and US Dollar denominated notes issued under the Group's European Medium Term Note programme and US shelf registration using treasury gilt locks and interest rate swaps. In addition, the Company carries a balance in reserves that arose from pre-hedging fluctuations in long-term interest rates when pricing bonds issued in prior years. The balance is reclassified to finance costs over the life of these bonds.

Directors and their interests

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

Mr I Mackay	(appointed 01 May 2019)
Edinburgh Pharmaceutical Industries Limited	(appointed 28 February 2001)
Glaxo Group Limited	(appointed 28 February 2001)
Mr S Dingemans	(appointed 01 April 2011, resigned 01 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 with the exception of the Corporate Directors, where such an interest may arise in the ordinary course of business. A corporate director is a legal entity of the Group as opposed to a natural person (an individual) Director.

GlaxoSmithKline Capital plc
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Directors' report for the year ended 31 December 2019

Directors' indemnity

Each of the Directors benefits from an indemnity given by the Company under its articles of association. This indemnity is in respect of liabilities incurred by the Director in the execution and discharge of their duties.

In addition, each of the Directors who is an individual benefits from an indemnity given by another Group company, GlaxoSmithKline Services Unlimited. This indemnity is in respect of liabilities arising out of third party proceedings to which the Director is a party by virtue of his or her engagement in the business of the Company.

Directors' interests

The following interests of the Director in office in the shares of the ultimate parent undertaking, GlaxoSmithKline plc, at the year end have been notified to the Company.

	Ordinary Shares			
	At 31 Dec 2018	Acquired	Disposed	**At 31 Dec 2019 or date of leaving**
Shares				
Mr I Mackay	-	-	-	-
Mr S Dingemans	261,649	159,460	(121,802)	**299,307**
	At 31 Dec 2018	Granted	Exercised / Lapsed	**At 31 Dec 2019 or date of leaving**
Unvested shares not subject to performance				
Mr I Mackay	-	-	-	-
Mr S Dingemans	161,231	157,774	-	**319,005**
	At 31 Dec 2018	Granted	Exercised / Lapsed	**At 31 Dec 2019 or date of leaving**
Share Save				
Mr I Mackay	-	-	-	-
Mr S Dingemans	722	-	(722)	**-**
	At 31 Dec 2018	Granted	Exercised / Lapsed	**At 31 Dec 2019 or date of leaving**
Performance Share Plans				
Mr I Mackay	-	233,791	-	**233,791**
Mr S Dingemans	711,292	15,613	(256,202)	**470,703**
	At 31 Dec 2018	Granted	Exercised / Lapsed	**At 31 Dec 2019 or date of leaving**
Deferred Annual Bonus Plan				
Mr I Mackay	-	-	-	-
Mr S Dingemans	192,150	48,822	(86,088)	**154,884**

All share awards are over ordinary shares of GlaxoSmithKline plc.

Further details of the above-mentioned Plans are disclosed in the 2019 Annual Report of GlaxoSmithKline plc.

GlaxoSmithKline Capital plc
(Registered number: 2258699)

Directors' report for the year ended 31 December 2019

Statement of Directors’ responsibilities

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

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

In preparing the 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 United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The following items have been included in the Strategic report on page 1:

- principal activities and future developments;
- review of business;
- principal risks and uncertainties;
- key performance indicators;
- approach to brexit;
- risks associated with the coronavirus outbreak;
- post balance sheet events; and
- section 172 Companies Act 2006 Statement.

Governance

The Company’s approach to the Modern Slavery Act 2015 is set by the Group. Each year, as part of their governance arrangements, the Group formally reviews and approves its approach to the Modern Slavery Act 2015 and has confirmed that the approach is still valid for 2019.

Directors' report for the year ended 31 December 2019

Stakeholder Engagement

The Company aims to build enduring relationships with its business partners in an honest, respectful and responsible way.

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 basis

Having assessed the principal risks and other matters, including the potential impact of the COVID- 19 pandemic, the Directors are of the opinion that the current level of activity remains sustainable. In relation to the challenges that arise from the COVID- 19 pandemic, the considerations have included the accessibility of additional capital and the potential risk to liquidity. The Directors have taken into account that as part of the GSK Group of companies, the Company has the ability to request support from the Group where necessary and can take actions to ensure business continuity through operational channels, as well as the ability to manage variable costs. On the basis of those considerations, the Directors believe that it remains appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Independent auditors

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

By order of the Board

Mr A Walker
For and on behalf of Glaxo Group Limited
Corporate Director
27 April 2020

Independent auditors' report to the members of GlaxoSmithKline Capital plc

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of GlaxoSmithKline Capital plc (the "Company"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 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:

- income statement;
- the statement of comprehensive income;
- balance sheet as at 31 December 2019;
- the statement of changes in equity;
- the cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 25 in the financial statements.

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

2. 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 as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters
The key audit matters that we identified in the current year were:

- Valuation of borrowings; and
- Valuation of intercompany loan receivables.

Materiality
The materiality that we used in the current year was £175 million, which was determined on the basis of a blended measure considering total assets and external debt.

Scoping
Our audit of the Company was scoped by obtaining an understanding of the entity and its environment, including relevant controls, and assessing the risk of material misstatement at the entity level.

Significant Changes in our approach
There have been no significant changes in approach since the prior year.

Independent auditors' report to the members of GlaxoSmithKline Capital plc

Conclusions relating to going concern

We have reviewed the directors' statement of responsibilities in relation to the financial statements about whether they consider it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the Company and its subsidiaries, its business model and related risks including where relevant the impact of COVID-19, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the Company's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

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.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation and of borrowings	
Key audit matter description	The Company issues external borrowings under its European Medium Term Note (EMTN) and US Shelf Programme on behalf of other GSK Group entities. This has resulted in the recognition of material borrowing amounts including: • Short-term borrowings: £1.7 billion (2018: £1.3 billion); and • Long-term borrowings: £15.8 billion (2018: £13.1 billion). In the current year, the external borrowings increased by £3.1 billion due to the issuance of six new bonds. These are recognised as financial liabilities measured at amortised cost at the original effective interest rate, computed based on the bond proceeds, costs of issuance, coupon payments and redemption value. Due to the magnitude of the external debt held the Company, we have identified a key audit matter with respect to the calculation of the carrying value of the borrowings. Borrowings are disclosed in Note 14 of the financial statements with fair value disclosure in Note 16. The accounting policy for borrowings is disclosed in Note 2.
How the scope of our audit responded to the key audit matter	We performed the following audit procedures: • Agreed bond proceeds, bond costs, coupon rate and redemption amounts to underlying agreements and term sheets; • Recalculated the effective interest rate and the carrying value of each bond using the key inputs outlined above per the underlying agreements; • Assessed the appropriateness of the accounting treatment applied for borrowings including the recognition at amortised cost in line with IFRS 9 requirements; • Validated the inputs used for the fair value disclosures in the notes to the financial statements to an independent source; and • Evaluated the disclosures in respect to these liabilities included in the notes to the financial statements.

Key audit matters (continued)

Key observations	We are satisfied that the calculation of the effective interest rate and carrying value of the external borrowings balance has been correctly calculated and appropriately recorded in accordance with IFRS 9.

Valuation of intercompany loan receivables

Key audit matter description	The bonds issued by the Company are subsequently loaned to GlaxoSmithKline Group companies. This is divided as follows: • Short-term intercompany loan receivables: £1.8 billion (2018: £1.5 billion); • Long-term intercompany loan receivables: £15.7 billion (2018: £13.1 billion). These are recognised as financial assets measured at amortised cost at the original effective interest rate, computed based on the loan issued, coupon payments and redemption value. As such, we identified a key audit matter relating to the calculation of the carrying value of the intercompany loan receivables balance. Intercompany loan receivables are disclosed in Note 11 of the financial statements with the accounting policies disclosed in Note 2.
How the scope of our audit responded to the key audit matter	We performed the following audit procedures: • Agreed loan amounts, coupon rate and redemption amounts to underlying agreements; • Recalculated the effective interest rate and the carrying value of each intercompany loan using the key inputs outlined above per the underlying agreements; • Reviewed board minutes for the completeness of all loans entered into in the period; • Assessed the appropriateness of the accounting treatment applied for intercompany loans including the recognition at amortised cost in line with IFRS 9 requirements; and • Evaluated the disclosures in respect to these assets included in the notes to the financial statements.
Key observations	We are satisfied that the calculation of the effective interest rate and carrying value of the intercompany loan receivables has been correctly calculated and appropriately recorded in accordance with IFRS 9.

6. Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£175 million (2018: £145 million)
Basis for determining materiality	We have determined materiality to be £175 million. In determining materiality, we applied a blended approach, using 1% of total assets and 1% of total external debt*. The increase in materiality from the previous year is due to the increase in external borrowings of £3.1 billion and associated increase in intercompany receivables from the lending of the proceeds to other entities within the group. *External debt is defined as short-term and long-term borrowings.
Rationale for the benchmark applied	The Company is the main UK debt issuer of the GlaxoSmithKline Group. As such, total assets and external debt were determined to be the most appropriate benchmarks to apply as they relate to the primary focus of management, shareholders and lenders in assessing the performance on the entity.

6. Our application of materiality (continued)

Performance materiality
We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2019 audit (2018: 70%). In determining performance materiality, we considered the following factors:

- our risk assessment, including our assessment of the entity's overall control environment; and
- our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.

Error reporting threshold
We agreed with the Board of Directors that we would report to them all audit differences in excess of £8.75m (2018: £7.25m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Board of Directors on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risk of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

The Company was subject to a full scope audit. There were no component audit teams involved in the audit of this entity, with the entire audit being conducted at GlaxoSmithKline's London Head Office by a central audit team.

8. Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual 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.

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.

9. 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.

10. 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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

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

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities
In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;·
- results of our enquiries of management and the Board of Directors about their own identification and assessment of the of irregularities;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
    - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- the matters discussed among the engagement team and involving relevant internal specialists, including tax, regarding where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in management override of controls. In common with all audits under ISAs (UK), we are required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

Audit response to risks identified
As a result of performing the above, we did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant
- laws and regulations discussed above;
- enquiring of management, the Board of Directors and in-house and external legal counsel concerning actual and
- potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material
- misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing internal audit reports; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries
- and other adjustments; and evaluating the business rationale of any significant transactions that are unusual or outside
- the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Independent auditors' report to the members of GlaxoSmithKline Capital plc

Report on other legal and regulatory requirements

12. 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.

13. Matters on which we are required to report by exception

Adequacy of explanations received and accounting records
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches
- not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration
Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of these matters.

14. Other matters

Auditor tenure
Following the recommendation of the Board of Directors, we were appointed by the Company on 30 May 2018 to audit the financial statements of the Company for the year ending 31 December 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is two years, covering the years ending 2018 to 2019.

Consistency of the audit report with the additional report to the Board of Directors
Our audit opinion is consistent with the additional report to the Board of Directors we are required to provide in accordance with ISAs (UK).

15. Use of our report

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

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

Deloitte LLP
Statutory Auditors
London, United Kingdom
27 April 2020

GlaxoSmithKline Capital plc

Income statement
for the year ended 31 December 2019

	Note	**2019** £'000	2018 £'000
Other operating income / (loss)	6	**(2,351)**	1,094
Finance income	8	**473,371**	377,474
Finance expense	9	**(453,016)**	(348,296)
Operating profit		**18,004**	30,272
Profit before taxation		**18,004**	30,272
Tax on profit	10	**(3,421)**	(5,752)
Profit for the financial year		**14,583**	24,520

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

The notes on pages 18 to 27 are an integral part of these financial statements.

GlaxoSmithKline Capital plc

Statement of comprehensive income
for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Profit for the financial year		**14,583**	24,520
Items that may be subsequently reclassified to the income statement:			
Fair value movements on cash flow hedges		**(11,704)**	1,288
Reclassification of cash flow hedges to the income statement		**3,239**	1,472
Deferred tax on fair value movements on cash flow hedges	10	**1,439**	(469)
Other comprehensive income / (loss) for the financial year		**(7,026)**	2,291
Total comprehensive income for the financial year		**7,557**	26,811

The notes on pages 18 to 27 are an integral part of these financial statements.

GlaxoSmithKline Capital plc

Balance sheet
as at 31 December 2019

	Note	2019 £'000	2018 £'000
Non-current assets			
Deferred tax assets	10	**3,343**	1,904
Trade and other receivables	11	**15,725,293**	13,087,653
Total non-current assets		**15,728,636**	13,089,557
Current assets			
Trade and other receivables	11	**1,804,015**	1,471,451
Prepayments and accrued income	12	**134,752**	131,225
Cash and cash equivalents		**4**	-
Total current assets		**1,938,771**	1,602,676
Total assets		**17,667,407**	14,692,233
Current liabilities			
Other payables	13	**(5,811)**	(2,040)
Corporation tax	13	**(3,421)**	(5,752)
Short-term borrowings	14	**(1,657,233)**	(1,349,459)
Accruals and deferred income	15	**(128,073)**	(124,929)
Total current liabilities		**(1,794,538)**	(1,482,180)
Net current assets		**144,233**	120,496
Total assets less current liabilities		**15,872,869**	13,210,053
Non-current liabilities			
Long-term borrowings	14	**(15,800,866)**	(13,145,607)
Total non-current liabilities		**(15,800,866)**	(13,145,607)
Total liabilities		**(17,595,404)**	(14,627,787)
Net assets		**72,003**	64,446
Equity			
Called up share capital	20	**100**	100
Other reserves	21	**(16,323)**	(9,297)
Retained earnings		**88,226**	73,643
Total equity		**72,003**	64,446

The notes on pages 18 to 27 are an integral part of these financial statements.

The financial statements on pages 13 to 27 were approved by the Board of Directors on 27 April 2020 and signed on its behalf by:

Mr A Walker
For and on behalf of Glaxo Group Limited
Corporate Director

GlaxoSmithKline Capital plc

Statement of changes in equity
for the year ended 31 December 2019

	Called up share capital £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 January 2018	100	(11,588)	49,123	37,635
Profit for the year	-	-	24,520	24,520
Other comprehensive loss for the financial year	-	2,291	-	2,291
At 31 December 2018	100	(9,297)	73,643	64,446
Profit for the year	-	-	14,583	14,583
Other comprehensive income for the financial year	-	(7,026)		(7,026)
At 31 December 2019	**100**	**(16,323)**	**88,226**	**72,003**

The notes on pages 18 to 27 are an integral part of these financial statements.

GlaxoSmithKline Capital plc

Cash flow statement
for the year ended 31 December 2019

	Note	**2019** **£'000**	2018 £'000
Cash flows from operating activities			
Operating profit		**18,004**	30,272
Adjustments reconciling operating profit to operating cash flows		**3,838**	(6,270)
Net cash inflow from operating activities	18	**21,842**	24,002
Cash flows from financing activities			
Proceeds from borrowings		**4,845,302**	3,650,522
Repayment of borrowings		**(1,277,670)**	-
Loans provided to Group undertakings		**(4,833,620)**	(3,648,326)
Loan repayments received from Group undertakings		**1,268,099**	-
(Increase) / decrease in other receivables with Group undertakings		**(23,949)**	(26,199)
Net cash outflow from financing activities		**(21,838)**	(24,003)
Net movement in cash in the year		**4**	**(1)**
Cash at beginning of year		**-**	1
Movement in cash		**4**	(1)
Cash at end of year		**4**	-

The notes on pages 18 to 27 are an integral part of these financial statements.

1 Presentation of the financial statements

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

The Company is a member of the GlaxoSmithKline Group (the "Group"). The Company's principal activity is the issuance of notes under the Group's European Medium Term Note programme and US shelf registration and the provision of financial services to other companies within the Group.

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 101 "Reduced Disclosure Framework" ("FRS 101") to requirements set by the International Financial Reporting Standards (IFRS).

Going concern
Having assessed the principal risks and other matters, including the potential impact of the COVID- 19 pandemic, the Directors are of the opinion that the current level of activity remains sustainable. In relation to the challenges that arise from the COVID- 19 pandemic, the considerations have included the accessibility of additional capital and the potential risk to liquidity. The Directors have taken into account that as part of the GSK Group of companies, the Company has the ability to request support from the Group where necessary and can take actions to ensure business continuity through operational channels, as well as the ability to manage variable costs. On the basis of those considerations, the Directors believe that it remains appropriate to adopt the going concern basis of accounting in preparing the financial statements.

These financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 2006 as applicable to companies using FRS101.

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:

- Paragraph 38 of IAS 1 "Presentation of financial statements" comparative information requirements in respect of:
  - paragraph 79(a) (iv) of IAS 1;
- The following paragraphs of IAS 1 "Presentation of financial statements":
  - 16 (statement of compliance with all IFRS); and
  - 38B-D (additional comparative information);
- 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 of IAS 24 "Related party disclosures" (key management compensation); and
- The requirements in IAS 24 "Related party disclosures" to disclose related party transactions entered into between two or more wholly members of a group.

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) Ultimate and immediate parent undertaking

The Company is a wholly owned subsidiary of the ultimate parent company. 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 SmithKline Beecham Limited. These financial statements are separate financial statements.

(c) 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.

(d) Other operating income

Management service fees are recognised in other operating income on an accruals basis.

(e) Finance income and expense

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

2 Summary of significant accounting policies (continued)

(f) Financial assets

Financial assets are measured at amortised cost, fair value through other comprehensive income ('FVTOCI') or fair value through profit or loss ('FVTPL'). The measurement basis is determined by reference to both the business model for managing the financial asset and the contractual cash flow characteristics of the financial asset.

(g) Impairment of financial assets

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

For financial assets a 12-month expected credit loss ("ECL") allowance is recorded on initial recognition. If there is evidence of a significant increase in the credit risk of an asset, the allowance is increased to reflect the full lifetime ECL. If there is no realistic prospect of recovery, the asset is written off.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and current balances with banks and similar institutions. They are readily convertible into known amounts of cash and have an insignificant risk of changes in value.

(i)Other payables

Other payables are initially recognised at fair value and then held at amortised cost using the effective interest method. Long-term payables are discounted where the effect is material.

(j) Borrowings

All borrowings, which comprise notes issued under the Group's European Medium Term Note programme and US shelf registration, are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

(k) Taxation

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

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

(l) Derivative financial instruments and hedging

Derivative financial instruments can be used by the Company to manage exposure to market risks. The Company does not hold or issue derivative financial instruments for trading or speculative purposes and does not currently hold any derivative financial instruments.

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

The Company carries a balance in other comprehensive income that arose from using treasury gilt locks and forward starting interest rate swaps for pre-hedging fluctuations in long-term interest rates when pricing bonds issued in prior and current years.

3 Critical accounting judgements and key sources of estimation uncertainty

In preparing the financial statements, management is 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. There are no required estimates or assumptions made in the valuation of intercompany loans and borrowings.

4 Financial risk management

Risk management is carried out by the Group's Corporate Treasury under policies and procedures approved annually by the Group's Board of Directors, most recently on 16 October 2019. The role of Corporate Treasury is to monitor and manage the Group's external and internal funding requirements and financial risks, covering foreign exchange, interest rate, liquidity, and credit risks in support of the Group's strategic objectives. A Treasury Management Group meeting, chaired by the Group's Chief Financial Officer, also takes place on a monthly basis to review treasury activities.

As part of the Group's risk assessment, the potential effects of Brexit have been considered and are not expected to be material.

4 Financial Risk Management (continued)

(a) Market risk

(i) The Company is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the US dollar and Euro, in respect of bonds issued under the Group's European Medium Term Note programme and US shelf registration.

The net proceeds of bond issuances received are subsequently advanced as loans to other Group undertakings in the same currency which minimises the foreign translation exposure within the Company. On this basis, foreign exchange risk is not considered material and the Company has not prepared a sensitivity analysis.

(ii) The Group's objective is to minimise the effective net interest cost and to balance the mix of debt at fixed and floating interest rates over time. The policy on interest rate risk management limits the net amount of floating rate debt to a specific cap, reviewed and agreed no less than annually by the GlaxoSmithKline Board.

The Company's interest rate risk arises mainly from deposits with Group undertakings and cash held at floating rates which expose the Company to interest rate risk. The Company has unsecured borrowings, comprised of notes issued under the Group's European Medium Term Note programme and US shelf registration, the majority of which are at fixed rates, and expose the Company to fair value interest rate risk.

	2019	2018
	Increase in income	Increase in income
	£'000	£'000
1% (100 basis points) increase in Euro interest rates (2018: 1%)	**398**	533
1% (100 basis points) increase in Sterling interest rates (2018: 1%)	**723**	516
1% (100 basis points) increase in US dollar interest rates (2018: 1%)	**397**	233

The tables below illustrate the currency and interest rate profiles arising from the Company's borrowings, loans and receivable balances.

Currency and interest rate risk profile of borrowings

At 31 December 2019	**Fixed rate**				
Currency	**Weighted average interest rate %**	**Average years for which rate is fixed**	**Fixed rate £'000**	**Floating rate £'000**	**Total £'000**
US dollars	**3.6**	**3**	**(5,083,553)**	**(567,101)**	**(5,650,654)**
Sterling	**5.0**	**18**	**(4,045,872)**	**-**	**(4,045,872)**
Euro	**1.2**	**6**	**(5,842,913)**	**(1,918,660)**	**(7,761,573)**
Total borrowings	**3.2**	**9**	**(14,972,338)**	**(2,485,761)**	**(17,458,099)**

At 31 December 2018	Fixed rate				
Currency	Weighted average interest rate %	Average years for which rate is fixed	Fixed rate £'000	Floating rate £'000	Total £'000
US dollars	3.9	3	(2,548,202)	(589,385)	(3,137,587)
Sterling	5.0	19	(4,043,711)	-	(4,043,711)
Euro	1.9	7	(6,636,522)	(677,246)	(7,313,768)
Total borrowings	3.6	10	(13,228,435)	(1,266,631)	(14,495,066)

(a) Market risk (continued)

(ii) *Interest rate risk (continued)*

Currency and interest rate risk profile of loans and receivables

At 31 December 2019	**Fixed rate**	**Floating rate**	**Total**
Currency	**£'000**	**£'000**	**£'000**
US dollars	**5,053,811**	**602,096**	**5,655,907**
Sterling	**4,024,022**	**72,268**	**4,096,290**
Euro	**5,816,305**	**1,960,446**	**7,776,751**
Total loans and receivables	**14,894,138**	**2,634,810**	**17,528,948**

At 31 December 2018	Fixed rate	Floating rate	Total
Currency	£'000	£'000	£'000
US dollars	2,536,151	612,730	3,148,881
Sterling	4,024,022	51,647	4,075,669
Euro	6,603,959	730,595	7,334,554
Total loans and receivables	13,164,132	1,394,972	14,559,104

(ii) *Interest rate risk (continued)*

	2019	2018
Net currency exposure	**£'000**	£'000
US dollars	**5,253**	11,294
Euro	**15,177**	20,786
	20,430	32,080

(b) Credit risk

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

There are no financial assets that are past due or impaired as at 31 December 2019 (2018: £nil).

The Company did not hold any collateral as security or obtained other credit enhancements as at 31 December 2019 (2018: £nil).

The Company considers its maximum exposure to credit risk at 31 December 2019, without taking into account any collateral held or other credit enhancements, to be £17,664,065,000 (2018: £14,690,329,000) being the total of the Company's financial assets of which the balances are all held within the GlaxoSmithKline Group.

(c) Liquidity risk

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

5 Capital management

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

The capital structure of the Company consists of net debt of £17,458,094,000 (2018: £14,495,066,000) and shareholders' funds of £72,003,000 (2018: £64,446,000) (see Statement of changes in equity).

6 Operating profit

	2019	2018
	£'000	£'000
The following items have been credited / (charged) in operating profit:		
Exchange gains / (losses) on foreign currency transactions	**(2,285)**	1,151
Management fee	**(66)**	(57)

GlaxoSmithKline Services Unlimited provides various services and facilities to the Company including finance and administrative services for which a management fee was charged. Included in the management fee is a charge for auditors' remuneration of £36,100 (2018: £36,100).

The disclosure of fees payable to the auditor and its associates for other (non-audit) services has not been made and has been disclosed in the Group's 2019 Annual Report which does not form part of this report.

7 Employees

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

8 Finance income

	2019	2018
	£'000	£'000
Interest income arising from financial assets at amortised cost	**473,371**	377,474

9 Finance expense

	2019	2018
	£'000	£'000
Interest expense arising on financial liabilities at amortised cost	**(449,777)**	(346,824)
Reclassification of cash flow hedge from other comprehensive income	**(3,239)**	(1,472)
Total finance expense	**(453,016)**	(348,296)

10 Taxation

	2019	2018
Income tax charge on profit	£'000	£'000
Current tax:		
UK corporation tax at 19.00% (2018: 19.00%)	**(3,421)**	(5,752)
Total current tax	**(3,421)**	(5,752)

The tax assessed for the year is no different (2018: no different) than the standard rate of corporation tax in the UK for the year ended 31 December 2019 of 19.00% (2018: 19.00%). The offsetting differences are explained below:

	2019	2018
Reconciliation of total tax charge	£'000	£'000
Profit on ordinary activities before taxation	**18,004**	30,272
Profit on ordinary activities at the UK statutory rate 19.00% (2018: 19.00%)	**(3,421)**	(5,752)
Effects of:		
Permanent disallowables - interest treated as paid by ultimate parent	**85,739**	65,884
Permanent deductions - Group relief received for no payment	**(85,739)**	(65,884)
Total tax charge for the year	**(3,421)**	(5,752)

Factors that may affect future tax charges:

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset as at 31 December 2019 has been calculated based on this rate. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. This will increase the company's future current tax charge accordingly and increase the deferred tax asset by £393,319.

	2019	2018
Total tax (expense) / credit included in other comprehensive income	£'000	£'000
Deferred tax:		
Fair value movements on cash flow hedges	**1,439**	(469)
Total tax (expense) / credit included in other comprehensive income	**1,439**	(469)

10 Taxation (continued)

Movement in deferred tax assets and liabilities	Other net temporary differences £'000	**Total £'000**
At 1 January 2019	1,904	**1,904**
Credit to comprehensive income	1,439	**1,439**
At 31 December 2019	3,343	**3,343**

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

	2019 £'000	2018 £'000
Deferred tax assets classified as non-current assets	**3,343**	1,904
	3,343	1,904

11 Trade and other receivables

	2019 £'000	2018 £'000
Amounts due within one year		
Amounts owed by Group undertakings	**1,804,015**	1,471,451
Amounts due after more than one year		
Long term deposits	**360**	-
Amounts owed by Group undertakings	**15,724,933**	13,087,653
	17,529,308	14,559,104

Amounts due within one year include call accounts with Group undertakings of £72,268,000 (2018: £51,647,000) which are unsecured, repayable on demand and earn a market rate of interest (based on 1 week LIBOR minus 0.125%) that is consistent with the Group's policy, and also include deposits with Group undertakings of £77,063,000 (2018: £78,574,000) which are unsecured, repayable on demand and earn a market rate of interest (based on LIBOR minus 0.125%) that is consistent with the Group's policy.

Amounts due within one year also include the net proceeds of bond issuances that have been advanced as loans to Group undertakings of £1,654,684,000 (2018: £1,341,230,000) which is unsecured with interest charged at 0.21% per annum.

Amounts due after more than one year include the net proceeds of bond issuances that have been advanced as loans to Group undertakings totalling £15,725,000 (2018: £13,087,653,000), which are unsecured with interest charged at between 0.10% and 6.50% per annum and repayable at maturity dates between 2021 and 2045.

12 Prepayments and accrued income

	2019 £'000	2018 £'000
Amounts due within one year	**134,752**	131,225

Accrued income relates to interest on amounts owed by Group undertakings (see Note 11).

13 Other payables

	2019 £'000	2018 £'000
Amounts falling due within one year		
Amounts owed to Group undertakings	**(5,811)**	(2,040)
Corporation tax	**(3,421)**	(5,752)
	(9,232)	(7,792)

Amounts owed to Group undertakings are unsecured and repayable on demand.

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

14 Borrowings

	2019	2018
	£'000	£'000
Amounts falling due within one year		
Loans payable:		
€ European Medium Term Notes	**(1,657,233)**	(1,349,459)
	(1,657,233)	(1,349,459)
Amounts falling due after more than one year		
Loans payable:		
€ European Medium Term Notes	**(6,104,340)**	(5,964,309)
£ European Medium Term Notes	**(4,045,872)**	(4,043,711)
US$ US Medium Term Notes	**(5,650,654)**	(3,137,587)
	(15,800,866)	(13,145,607)
Total borrowings	**(17,458,099)**	(14,495,066)

	2019	2018
Maturity of borrowings	**£'000**	£'000
In one year or less, or on demand		
0.625% € European Medium Term Note 2019	**-**	(1,349,459)
EURIBOR+0.20% € European Medium Term Note 2020	**(637,905)**	-
0.000% € European Medium Term Note 2020	**(1,019,328)**	-
	(1,657,233)	(1,349,459)
In more than one year, but not more than two years		
EURIBOR+0.20% € European Medium Term Note 2020	**-**	(677,246)
0.000% € European Medium Term Note 2020	**-**	(1,079,415)
LIBOR+0.30% € European Medium Term Note 2021	**(1,280,755)**	-
0% € European Medium Term Note 2021	**(425,592)**	-
3.125% US$ US Medium Term Note 2021	**(943,893)**	-
LIBOR+0.35% US$ US Medium Term Note 2021	**(567,101)**	-
	(3,217,341)	(1,756,661)
In more than two years, but not more than five years		
LIBOR+0.35% US$ US Medium Term Note 2021	**-**	(980,151)
2.850% US$ US Medium Term Note 2022	**(1,509,382)**	(589,385)
2,875% US$ US Medium Term Note 2022	**(1,132,641)**	(1,568,052)
0% € European Medium Term Note 2023	**(424,926)**	-
1.375% € European Medium Term Note 2024	**(843,707)**	-
3,000% US$ US Medium Term Note 2024	**(751,294)**	-
	(4,661,950)	(3,137,588)
In more than five years		
1.375% € European Medium Term Note 2024	**-**	(892,962)
4.000% € European Medium Term Note 2025	**(632,791)**	(669,903)
1.000% € European Medium Term Note 2026	**(593,265)**	(628,546)
1.250% € European Medium Term Note 2026	**(846,415)**	(896,568)
3.375% £ European Medium Term Note 2027	**(593,994)**	(593,351)
1.375% € European Medium Term Note 2029	**(422,037)**	(447,022)
3,375% US$ US Medium Term Note 2029	**(746,343)**	-
1.750% € European Medium Term Note 2030	**(634,852)**	(672,647)
5.250% £ European Medium Term Note 2033	**(982,530)**	(981,711)
6.375% £ European Medium Term Note 2039	**(694,138)**	(693,984)
5.250% £ European Medium Term Note 2042	**(986,528)**	(986,216)
4.250% £ European Medium Term Note 2045	**(788,682)**	(788,448)
	(7,921,575)	(8,251,358)
Total borrowings	**(17,458,099)**	(14,495,066)

15 Accruals and deferred income

	2019	2018
	£'000	£'000
Amounts falling due within one year	**(128,073)**	(124,929)

Accruals relates to interest payable on borrowings (see Note 14).

16 Fair value of financial assets and liabilities

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

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

- Cash and cash equivalents – approximates to the carrying amount;
- Borrowings (European and US Medium Term Notes) – based on quoted market prices (a level 1 fair value measurement);
- Intercompany loans – approximates to the fair value of borrowings (European and US Medium Term Notes); and
- Receivables and payables – approximates to the carrying amount.

The carrying amounts and the fair values of the Company's financial assets and liabilities at 31 December 2019 and 31 December 2018 are illustrated below.

	2019		2018	
	Carrying value £'000	**Fair value £'000**	Carrying value £'000	Fair value £'000
Cash and cash equivalents	**4**	**4**	-	-
Trade and other receivables:				
Other receivables	**134,752**	**134,752**	131,225	131,225
Amounts owed by Group undertakings	**17,528,948**	**19,952,387**	14,559,104	16,387,153
Total financial assets	**17,663,704**	**20,087,143**	14,690,329	16,518,378
Financial liabilities measured at amortised cost:				
£ European Medium Term Notes	**(4,045,872)**	**(5,903,688)**	(4,043,711)	(4,088,154)
€ European Medium Term Notes	**(7,761,573)**	**(8,214,511)**	(7,313,768)	(8,627,556)
US$ US Medium Term Notes	**(5,650,654)**	**(5,834,188)**	(3,137,587)	(3,671,443)
	(17,458,099)	**(19,952,387)**	(14,495,066)	(16,387,153)
Other payables	**(133,884)**	**(133,884)**	(126,969)	(126,969)
Total financial liabilities	**(17,591,983)**	**(20,086,271)**	(14,622,035)	(16,514,122)
Net financial assets and liabilities	**71,721**	**872**	68,294	4,256

The Company has no financial assets or liabilities measured at fair value through profit and loss.

Financial liabilities measured at amortised cost for which the fair value of £19,952,387,000 (2018: £16,387,153,000) is disclosed in the table above are categorised as Level 1, where quoted prices in active markets are used. Similarly, amounts owed by Group undertakings, which include the net proceeds of bond issuances advanced as loans, also approximate to the fair value of these financial liabilities. All other assets and liabilities approximate to the carrying amount.

17 Contractual cash flows for non-derivative financial liabilities

The following table provides an analysis of the anticipated contractual cash flows including interest payable for the Company's non-derivative financial liabilities on an undiscounted basis. Interest is calculated based on debt held at 31 December without taking account of future issuance.

	2019		2018	
	Debt £'000	**Interest on debt £'000**	Debt £'000	Interest on debt £'000
Due in less than one year	**(1,656,812)**	**(458,095)**	(1,327,434)	(394,427)
Between one and two years	**(3,214,565)**	**(435,847)**	(1,725,664)	(390,015)
Between two and three years	**(2,649,508)**	**(360,792)**	(1,481,481)	(356,350)
Between three and four years	**(424,926)**	**(322,895)**	(1,481,481)	(301,316)
Between four and five years	**(1,606,981)**	**(311,541)**	-	(278,875)
Between five and ten years	**(3,864,440)**	**(1,237,489)**	(3,653,097)	(1,208,359)
Greater than 10 years	**(4,137,484)**	**(1,893,906)**	(4,606,195)	(2,096,217)
Gross contractual cash flows	**(17,554,716)**	**(5,020,565)**	(14,275,352)	(5,025,559)

GlaxoSmithKline Capital plc

Notes to the financial statements for the year ended 31 December 2019

18 Adjustments reconciling operating profit to operating cash flows

	2019	2018
	£'000	£'000
Operating profit for the year	**18,004**	30,272
(Increase) / decrease in other receivables	**(3,886)**	(23,392)
Increase / (decrease) in other payables	**1,164**	18,425
Exchange adjustments	**2,387**	(1,088)
Amortisation of bond costs	**12,638**	(2,975)
Fair value movements on cash flow hedges	**(11,704)**	1,288
Reclassification of cash flow hedges to the income statement	**3,239**	1,472
Net cash inflow from operating activities	**21,842**	24,002

19 Reconciliation of net cash flow to movement in net (debt) / surplus

	Other assets		Liabilities from financing activities		
	Cash and cash equivalents £'000	Amounts owed by Group undertakings £'000	Borrowings - due within one year £'000	Borrowings - due after 1 year £'000	Total £'000
Net surplus as at 1 January 2018	1	10,536,733	-	(10,500,761)	35,973
Cash flows	(1)	3,674,525	-	(3,650,522)	24,002
Foreign exchange adjustments	-	347,846	(23,849)	(322,909)	1,088
Other non-cash adjustments:					
	-	-	(1,323,622.00)	1,323,622.00	-
Amortisation	-	-	(1,988)	4,963	2,975
Net surplus as at 31 December 2018	-	14,559,104	(1,349,459)	(13,145,607)	64,038
Net surplus as at 1 January 2019	**-**	**14,559,104**	**(1,349,459)**	**(13,145,607)**	**64,038**
Cash flows	**4**	**4,857,569**	**-**	**(4,845,303)**	**12,270**
Foreign exchange adjustments	**-**	**(619,625)**	**172,870**	**444,367**	**(2,388)**
Other non-cash adjustments:					
Re-classification (long-term to short-term)	**-**	**-**	**(1,756,661)**	**1,756,661**	**-**
Amortisation	**-**	**-**	**(1,654)**	**(10,984)**	**(12,638)**
Net surplus as at 31 December 2019	**4**	**18,797,048**	**(2,934,904)**	**(15,800,866)**	**61,282**

20 Called up share capital

	2019	2018	2019	2018
	Number of shares	Number of shares	£'000	£'000
Authorised				
Ordinary shares of £1 each (2017: £1 each)	**100,000**	100,000	**100**	100
Issued and fully paid				
Ordinary shares of £1 each (2017: £1 each)	**100,000**	100,000	**100**	100

21 Other reserves

	Other reserves £'000	Retained earnings £'000	Total reserves £'000
At 1 January 2019	(9,297)	73,643	**64,346**
Transferred from income and expense in the year	-	14,583	**14,583**
Fair value movements on cash flow hedges	(11,704)	-	**(11,704)**
Reclassification of cash flow hedges to the income statement	3,239	-	**3,239**
Deferred tax effect of cash flow hedges	1,439	-	**1,439**
At 31 December 2019	(16,323)	88,226	**71,903**

21 Other reserves (continued)

The cash flow hedge reserve relates to the cumulative fair value changes of derivatives that arose from pre-hedging fluctuations in long-term interest rates when pricing bonds issued in prior and current years. The balance is reclassified to finance costs over the life of the subsequently issued bonds.

		Amount reclassified to profit or loss		
2019	**Hedging gains / (losses) recognised in reserves**	**Hedged future cash flows no longer expected to occur**	**As hedged item affects profit or loss**	**Line item in which reclassification adjustment is included**
	£'000	**£'000**	**£'000**	**£'000**
Pre-hedging of long-term interest rates	(16,323)	-	3,239	Finance income / (expense)
2018				
Pre-hedging of long-term interest rates	(9,297)	-	1,472	Finance income / (expense)

22 Contingent liabilities/assets

Group banking arrangement
The Company, together with fellow Group undertakings, has entered into a Group banking arrangement with the Company's principal bank. The bank holds the right to pay and apply funds from any account of the Company to settle any indebtedness to the bank of any other party to this agreement. The Company's maximum potential liability as at 31 December 2019 is limited to the amount held on its accounts with the bank. No loss is expected to accrue to the Company from the agreement.

23 Directors' remuneration

During the year, the Directors of the Company, with the exception of the Corporate Directors, were remunerated as executives of the Group and received no remuneration in respect of their services to the Company (2018: £nil). Corporate Directors received no remuneration during the year, either as executives of the Group or in respect of their services to the Company (2018: £nil).

24 Related party transactions

As a wholly owned subsidiary of the ultimate parent company, GlaxoSmithKline plc, advantage has been taken 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.

25 Events after the end of reporting period

The Directors have considered the impact on the Company of the COVID-19 pandemic, which is a non-adjusting post balance sheet event. The Directors do not consider that there have been any material adverse changes to the carrying values of the Company’s assets nor material adjustments to liabilities subsequent to the year-end which require disclosure in these financial statements.