GlaxoSmithKline Capital plc
(Registered number: 2258699)

Directors' report and financial statements

for the year ended 31st December 2011

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

GlaxoSmithKline Capital plc

Directors' report and financial statements

for the year ended 31st December 2011

GlaxoSmithKline Capital plc

Registered number: (2258699)

Directors' report for the year ended 31st December 2011

The Directors submit their report and the audited financial statements for the year ended 31st December 2011.

Principal activities

GlaxoSmithKline Capital plc ("the Company") issues European Medium Term Notes and provides financial services to fellow subsidiaries of the GlaxoSmithKline Group of companies ("the Group"). The Directors do not envisage any change to the nature of the business in the foreseeable future.

Review of business

The Company made a profit for the financial year of £2,650,000 (2010: profit of £2,476,000). The Directors are of the opinion that the current level of activity and the year end financial position are satisfactory and will remain so in the foreseeable future.

The profit for the financial year of £2,650,000 will be transferred to reserves (2010: profit for the financial year of £2,476,000 transferred to reserves).

All European Medium Term Notes in issue pay interest on a fixed rate basis. No new issuances were made during the year ended 31st December 2011.

Principal risks and uncertainties

The Directors of GlaxoSmithKline plc manage the risks of the Group at a group level, rather than at an individual business unit 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 2011 Annual Report which does not form part of this report.

In addition to the Financial Risk Management disclosed in the Treasury Policy Note on page 9 and 10 (Note 2), at a Company level, the principal risks and uncertainties relevant to the Group and the Company's business and financial condition and results would include risks from Global and Political Economic Conditions, Reliance on Information Technology, and the potential impact of new or revised Accounting Standards.

Global and Political Economic Conditions

Many of the world's largest economies, including the major markets in which the Group operates, and financial institutions have in the recent past faced extreme financial difficulty, including a decline in asset prices, liquidity problems and limited availability of credit. The economic uncertainty continued in 2011, with multiple downgrades of sovereign credit ratings, particularly in the Eurozone. High levels of sovereign debt are negatively impacting growth in the global economy. It is uncertain how long these effects will last, or whether economic and financial trends will worsen or improve. The Group has no control over changes in inflation, interest rates, foreign currency exchange rates and controls or other economic factors that may affect it or the Company, or the possibility of legal and regulatory changes in jurisdictions in which the Group or the Company operates.

Reliance on Information Technology

The Group is increasingly dependent on information technology systems, including Internet-based systems, for internal communication as well as communication with financial counterparties. Any significant disruption of these systems, whether due to computer viruses or other outside incursions, could materially and adversely affect the Group's and Company's operations.

GlaxoSmithKline Capital plc

Registered number: (2258699)

Directors' report for the year ended 31st December 2011

Impact of New or Revised Accounting Standards

New or revised accounting standards, rules and interpretations circulated from time to time by the standard setting board could result in changes to the recognition of income and expense that may adversely impact the Group's and the Company's reported financial results. The Group believes that it complies with the appropriate regulatory requirements concerning their financial statements and disclosures.

Key performance indicators (KPIs)

The Directors of GlaxoSmithKline plc manage the Group's operations on a business sector 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 2011 Annual Report which does not form part of this report.

Results and dividends

The Company's results for the financial year are shown in the profit and loss account on page 5.

No dividend is proposed to the holders of Ordinary Shares in respect of the year ended 31st December 2011 (2010: £nil).

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:

Edinburgh Pharmaceutical Industries Limited	
Glaxo Group Limited	
Mr J S Heslop	Resigned on 31 March 2011
Mr S P Dingemans	Appointed on 1 April 2011

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.

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

Name	**Ordinary Shares At 31.12.11**
Mr S P Dingemans	40,171
Performance Share Plan awards	**At 31.12.11**
Mr S P Dingemans	200,716

All share awards are over Ordinary Shares of GlaxoSmithKline plc.

The details of the above-mentioned Plans are disclosed in the 2011 Annual Report of GlaxoSmithKline plc.

GlaxoSmithKline Capital plc

Registered number: (2258699)

Directors' report for the year ended 31st December 2011

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 its 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 reason of his engagement in the business of the Company.

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 year.

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent; and
- State whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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

Disclosure of information to auditors

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 to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Going concern

The Directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the intermediate parent company GlaxoSmithKline Finance plc. The Directors have received confirmation that GlaxoSmithKline Finance plc intends to support the Company for at least one year after these financial statements are signed. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Independent Auditors

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

By order of the Board

P Blackburn
For and on behalf of Glaxo Group Limited
Corporate Director
19 April 2012

Independent auditors' report to the members of GlaxoSmithKline Capital plc

We have audited the financial statements of GlaxoSmithKline Capital plc for the year ended 31st December 2011 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs at 31st December 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

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

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
19 April 2012

GlaxoSmithKline Capital plc

Profit and loss account
for the year ended 31st December 2011

	Notes	2011 £'000	2010 £'000
Operating (loss) / profit	3	**(403)**	476
Interest receivable and similar income	4	**418,846**	409,623
Interest payable and similar charges	5	**(414,791)**	(406,631)
Net interest receivable		**4,055**	2,992
Profit on ordinary activities before taxation		**3,652**	3,468
Tax on profit on ordinary activities	6	**(1,002)**	(992)
Profit for the financial year	11	**2,650**	2,476

The results disclosed above relate entirely to continuing operations.

There is no difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents.

GlaxoSmithKline Capital plc

Statement of total recognised gains and losses for the year ended 31st December 2011

	Note	2011 £'000	2010 £'000
Profit for the financial year		**2,650**	2,476
Cash flow hedge reserve recycled to profit and loss account	11	194	411
Total recognised gains relating to the year		**2,844**	2,887

GlaxoSmithKline Capital plc

Balance Sheet
As at 31st December 2011

	Notes	2011 £'000	2010 £'000
Debtors: amounts due after one year	7	**5,619,158**	8,262,755
Debtors: amounts due within one year	7	**2,651,519**	136,617
Debtors	7	**8,270,677**	8,399,372
Cash at bank and in hand		**4**	4
Current assets		**8,270,681**	8,399,376
Creditors: amounts falling due within one year	8	**(2,633,323)**	(134,716)
Net current assets		**5,637,358**	8,264,660
Total assets less current liabilities		**5,637,358**	8,264,660
Creditors: amounts falling due after more than one year	8	**(5,640,562)**	(8,270,708)
Net liabilities		**(3,204)**	(6,048)
Capital and reserves			
Called up share capital	10	**100**	100
Profit and loss account	11	**3,725**	1,075
Cash flow hedge reserve	11	**(7,029)**	(7,223)
Total shareholders' deficit	12	**(3,204)**	(6,048)

The financial statements on pages 5 to 16 were approved by the Board of Directors on 19 April 2012 and were signed on its behalf by:

P Blackburn
For and on behalf of Glaxo Group Limited
Corporate Director

Notes to the financial statements for the year ended 31st December 2011

1 Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. In addition, the Company has taken advantage of the exemption within FRS 29, 'Financial Instruments: Disclosure' from the disclosure requirements of this standard on the basis that the Company's results are included in the publicly available consolidated financial statements of the Group, which include disclosures that comply with IFRS 7, 'Financial Instruments: Disclosures', which is equivalent to FRS 29.

(a) Basis of accounting

These financial statements have been prepared on the going concern basis, due to ongoing support from the intermediate parent undertaking, GlaxoSmithKline Finance plc, under the historical cost convention, the accounting policies set out below, which have been applied consistently, and in accordance with the Companies Act 2006 and applicable UK Accounting Standards.

(b) Foreign currency transactions

Foreign currency transactions are booked in local currency at the foreign exchange rate ruling on the date of the transaction, or at the foreign exchange forward rate if hedged by a foreign exchange forward contract. Foreign currency monetary assets and liabilities are translated into local currency at foreign exchange rates ruling at the balance sheet date, or at the forward rate. Foreign exchange differences are included in operating proft or loss.

(c) Dividends paid and received

Interim dividends paid and received are included in the profit and loss account in the year in which the related dividend is actually paid or received. Final dividends are recorded in the profit and loss account upon shareholder approval.

(d) Interest

Interest receivable and similar income and interest payable and similar charges are recognised on an accruals basis.

(e) Bond expenses

Bond expenses are included as a component of the debt principal and are amortised using the effective interest rate over the term of the debt.

(f) Expenditure

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

(g) Debt instruments

Debt instruments are stated at the amount of net proceeds adjusted to amortise the finance cost of debt using the effective interest rate method over the term of the debt, and for movements in the fair value of the bond, where hedge accounting is applicable.

(h) Taxation

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

The Company accounts for taxation which is deferred or accelerated by reason of timing differences which have originated but not reversed by the balance sheet date. Deferred tax assets are recognised as recoverable when it is regarded as more likely than not that there will be suitable taxable profits against which to recover the deferred tax assets.

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

2 Treasury Policy

Corporate Treasury policies noted below are those operated by GlaxoSmithKline Capital plc.

The Company's role in managing the Group's objectives is primarily to manage the Group's external funding requirements and the resulting financial risk.

(a) Treasury

The Company's ultimate parent undertaking, GlaxoSmithKline plc, is a UK-based business, reporting in Sterling and paying dividends out of Sterling profits.

The role of Corporate Treasury in the Group is to manage and monitor the Group's external and internal funding requirements and financial risks in support of the Group's strategic objectives. Treasury activities are governed by policies and procedures approved by the Board of Directors, of GlaxoSmithKline plc (most recently on 14 July 2011) and monitored by the Treasury Management Group (TMG), chaired by the Chief Financial Officer. The Group maintains Treasury control systems and procedures to monitor foreign exchange, interest rate, liquidity, credit and other financial risks.

(b) Liquidity

The Group centrally manages cash reserves in order to meet anticipated funding requirements. The cash flow forecast and funding requirements are monitored by the TMG on a monthly basis. During 2011, the Group's cash balances relative to the net debt portfolio was reviewed, including the sources of debt in order to improve the efficiency of the Group's balance sheet. The Group's aim is to reduce the effective cost of funding by maintaining lower levels of cash and diversifying the sources of funding under the current low interest rate environment.

(c) Treasury operations

The objective of Treasury activity is to manage the post-tax net cost/income of financial operations to the benefit of Group earnings. The Company does not operate as a profit centre.

The Group uses a variety of financial instruments, including derivatives, to finance its operations and to manage market risks from those operations. These derivative instruments, principally comprising forward foreign currency contracts, interest rate and currency swaps, are used by Corporate Treasury to swap borrowings and liquid assets into the currencies required for Group purposes and to manage exposure to funding risks from changes in foreign exchange rates and interest rates.

The Group balances the use of borrowings and liquid assets having regard to:

- the cash flow from operating activities and the currencies in which it is earned;
- the tax cost of intra-group distributions;
- the currencies in which business assets are denominated; and
- the post-tax cost of borrowings compared to the post-tax return on liquid assets.

Liquid assets surplus to the immediate operating requirements of Group companies are invested and managed centrally by Corporate Treasury. Requirements of Group companies for operating finance are met whenever possible from central resources.

External borrowings are managed by Corporate Treasury which comprise a portfolio of long and medium-term instruments in addition to short-term finance.

The Group does not hold or issue derivative financial instruments for trading purposes and the Group's Treasury Policies specifically prohibit such activity. All transactions in financial instruments are undertaken to manage the risks arising from underlying business activities, not for speculation.

(d) Counterparty and Maturity risk

The Group's policy on counterparty risk management is to work with a select group of relationship banks. Counterparty limits are assigned to each of the Group's banking and investment counterparties based in long-term credit ratings from Moody's and Standard and Poor's, which are monitored daily and independently by the Corporate Compliance Officer (CCO). A full counterparty analysis is presented to the TMG annually for approval.

The Group manages its net borrowing requirement through a portfolio of long and medium-term borrowings, including bonds and have also used short-term finance through a US commercial paper programme.

The Group has a Euro Medium Term Note programme of £15 billion, of which £8.2 billion was in issue as at 31st December 2011 and a US shelf registration statement, of which $10 billion (£6.5 billion) was in issue as at 31st December 2011. The TMG monitors the cash flow forecast and funding requirement of the Group on a monthly basis. The Group's borrowings mature at dates between 2012 and 2042.

(e) Interest rate risk management

The Group's policy on interest rate risk management requires that the amount of net borrowings at fixed rates increases with the ratio of forecast net interest payable to Group trading profit. At 31st December 2011, £nil (31st December 2010: £nil) of the Company's net borrowings were exposed to floating interest rates after the effects of hedging.

(f) Foreign exchange risk management

The Group seeks to denominate borrowings in the currencies of its principal assets and cash flows. These are primarily denominated in US dollars, Euros and Sterling. Certain borrowings are swapped into other currencies as required for Group purposes.

(g) Capital management

The Group's capital structure is managed through an appropriate mix of debt and equity aimed to maximise returns to shareholders, whilst monitoring credit ratings that ensure flexibility and access to debt capital markets on attractive terms.

3 Operating (loss) / profit

	2011	2010
	£'000	£'000
The following item has been charged in operating (loss) / profit:		
Exchange (losses) / gains on foreign currency transactions	**(293)**	511
Management fee	**(41)**	(35)

GlaxoSmithKline Services Unlimited provides various services and facilities to the Company including finance and administrative services for which a management fee is charged. Included in the management fee is a charge for auditor remuneration of £31,006 (2010: £30,103). In 2010 foreign exchange differences were included in note 4. To ensure compliance with note 1(b), £293,000 relating to foreign exchange losses (2010: £511,000 foreign exchange profit) is now shown in the above table.

4 Interest receivable and similar income

	2011	2010
	£'000	£'000
On loans with Group undertakings	**418,846**	409,623

In 2010 foreign exchange differences were included in note 4. To ensure compliance with note 1(b), £293,000 relating to foreign exchange losses (2010: £511,000 foreign exchange profit) is shown in note 3.

5 Interest payable and similar charges

	2011	2010
	£'000	£'000
Cash flow hedge recycling from equity	**(194)**	(411)
Interest on European Medium Term Notes	**(406,699)**	(398,159)
Amortisation of bond expenses	**(7,898)**	(8,061)
	(414,791)	(406,631)

6 Tax on profit on ordinary activities

Tax charge based on profits for the financial year	2011 £'000	2010 £'000
Current tax:		
UK corporation tax at 26.5% (2010: 28%)	**853**	850
Over provision in previous years	**-**	(1)
Total current tax	**853**	849
Deferred tax:		
Origination and reversal of timing differences	**106**	121
Change in tax rate - impact on deferred tax	**43**	22
Total deferred tax	**149**	143
Tax on profit on ordinary activities	**1,002**	992

The tax assessed for the year is lower (2010: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2011 of 26.5% (2010: 28%). The differences are explained below:

Reconciliation of current tax charge	£'000	£'000
Profit on ordinary activities at the UK statutory rate 26.5% (2010: 28%)	**968**	971
Effects of:		
Permanent Disallowables - interest treated as paid by ultimate parent	**109,891**	113,857
Permanent Deductions - Group relief received for no payment	**(109,891)**	(113,857)
Adjustments to tax charge in respect of previous years	**-**	(1)
Other timing differences	**(115)**	(121)
Current tax charge for the year	**853**	849

The main rate of UK corporation tax reduced from 28% to 26% with effect from 1 April 2011. Legislation to further reduce the main rate of corporation tax from 26% to 25% from 1 April 2012 was included in the Finance Act 2011. These tax changes became substantively enacted on 29 March 2011 and 5 July 2011 respectively, and hence the effect of the changes on the deferred tax balances has been included in the figures above.

On 21 March 2012 the Chancellor announced a further reduction in the main rate of UK corporation tax to 24 per cent with effect from 1 April 2012. This change became substantively enacted on 26 March 2012. The effect of the change would create an additional reduction in the deferred tax asset at 31 December 2011 of approximately £17,000. This has not been reflected in the figures above as the rate change was not substantively enacted at the balance sheet date.

The Chancellor also proposed changes to further reduce the main rate of corporation tax by one per cent per annum to 22 per cent by 1 April 2014. These changes have not yet been substantively enacted and are not reflected in the figures above. The effect of the further reductions from 24 per cent to 22 per cent, if these were applied to the deferred tax balance at 31 December 2011, would be to reduce the deferred tax asset by approximately £35,000.

7 Debtors

	2011 £'000	2010 £'000
Amounts due within one year		
Amounts owed by Group undertakings	**2,651,088**	136,037
Deferred tax (see Note 9)	**431**	580
	2,651,519	136,617
Amounts due after more than one year		
Amounts owed by Group undertakings	**5,619,158**	8,262,755
	8,270,677	8,399,372

Amounts owed by Group undertakings include net proceeds of bond issuances that have been advanced as loans totalling £8,089,205,000 (2010: £8,228,764,000) these are unsecured with interest charged at between 3.2% and 6.5% per annum and repayable at maturity dates between 2012 and 2042.

8 Creditors

	2011 £'000	2010 £'000
Amounts falling due within one year		
Amounts owed to Group undertakings	**2,574**	-
Tax	**853**	850
Accruals and deferred income	**132,129**	133,866
European Medium Term Notes	**2,497,767**	-
	2,633,323	134,716
Amounts falling due after one year		
European Medium Term Notes	**5,640,562**	8,270,708
	8,273,885	8,405,424

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

Accruals and deferred income relates to accrued interest payable on European Medium Term Notes.

Debt is unsecured and there are no debt covenants in relation thereto.

Loans due after one year are repayable over various periods as follows:

	2011 £'000	2010 £'000
Between one and two years	**-**	2,558,872
Between two and five years	**1,326,270**	1,358,208
After five years	**4,314,292**	4,353,628
	5,640,562	8,270,708

The loan repayable between two and five years carries an interest rate of 3.875% (EUR) with a repayment date of 6th July 2015.

Loans repayable in Euros after five years have an interest rate of 5.625% and 4%, with repayment dates of 13th December 2017 and 16th June 2025 respectively. Sterling loans repayable after five years have an interest rate of 5.25%, 6.375% and 5.25% with repayment dates of 19th December 2033, 9th March 2039 and 10th April 2042 respectively.

The loans due after 5 years are repayable other than by instalments.

9 Deferred tax asset

	2011 £'000	2010 £'000
Short term timing differences	**431**	580
	431	580

Deferred tax asset	**Total £'000**
At 1st January 2011	**580**
Charge for the year	**(106)**
Change in tax rate - impact on deferred tax	**(43)**
At 31st December 2011	**431**

10 Called up share capital

	2011 Number of Shares	2010 Number of Shares	2011 £'000	2010 £'000
Authorised				
Ordinary Shares of £1 each (2010: £1 each)	**100,000**	100,000	**100**	100
Issued and fully paid				
Ordinary Shares of £1 each (2010: £1 each)	**100,000**	100,000	**100**	100

11 Reserves

	Profit and Loss Account £'000	Cash Flow Hedge Reserve £'000	Total Reserves £'000
At 1st January 2011	1,075	(7,223)	**(6,148)**
Profit for the financial year	2,650	-	**2,650**
Movement in cash flow hedge reserve	-	194	**194**
At 31st December 2011	3,725	(7,029)	**(3,304)**

The cash flow hedge reserve relates to the cumulative fair value changes of derivatives representing pre-hedging of debt-issuances. The reserve is amortised over the life of the subsequently issued bonds.

12 Reconciliation of movements in shareholders' deficit

	2011 £'000	2010 £'000
Profit for the financial year	**2,650**	2,476
Movement in cash flow hedge reserve	**194**	411
Net reduction in shareholders' deficit	**2,844**	2,887
Opening shareholders' deficit	**(6,048)**	(8,935)
Closing shareholders' deficit	**(3,204)**	(6,048)

13 Financial instruments and related disclosures

Policies

Treasury Policies are detailed in Note 2.

Foreign exchange risk management

At the end of the year the Company had no cross currency swaps (2010: no cross currency swaps) in place in respect of foreign currency medium-term debt instruments.

Concentrations of credit risk and credit exposures financial instruments

The Company does not believe it is exposed to major concentrations of credit risk. The Company is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments, but does not expect any counterparties to fail to meet their obligations. The Company applies GlaxoSmithKline plc Board approved limits to the amount of credit exposure to any one counterparty and employs strict minimum credit worthiness criteria as to the choice of counterparty.

GlaxoSmithKline Capital plc

Notes to the financial statements for the year ended 31st December 2011

Fair value of financial assets and liabilities

The table below presents the carrying amounts and the fair values of the Company's financial assets and liabilities at 31st December 2011 and 31st December 2010.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values shown below:

- Cash at bank – approximates to the carrying amount;
- Short-term loans and overdrafts – approximates to the carrying amount because of the short maturity of these instruments;
- Medium-term loans – market value based on quoted market prices in the case of European Medium Term Notes and other fixed rate borrowings, approximates to the carrying amount in the case of floating rate bank loans and other loans;
- Debtors and creditors – approximates to the carrying amount.

The following table sets out the classification of financial assets and liabilities per the Balance Sheet.

	2011		2010	
	Carrying Amount £'000	**Fair Value £'000**	Carrying Amount £'000	Fair Value £'000
Cash at bank and in hand	**4**	**4**	4	4
Amounts owed by Group undertakings	**8,134,390**	**8,134,390**	8,262,755	8,262,755
Current asset financial instruments	**8,134,394**	**8,134,394**	8,262,759	8,262,759
Sterling notes and bonds	**(2,661,168)**	**(3,341,254)**	(2,659,627)	(2,854,922)
Euro notes and bonds	**(5,477,161)**	**(5,925,991)**	(5,611,081)	(5,989,003)
Total borrowings	**(8,138,329)**	**(9,267,245)**	(8,270,708)	(8,843,925)
Total net debt	**(3,935)**	**(1,132,851)**	(7,949)	(581,166)
Other debtors *	**136,287**	**136,287**	136,617	136,617
Other creditors *	**(135,556)**	**(135,556)**	(134,716)	(134,716)
Net financial assets and liabilities	**(3,204)**	**(1,132,120)**	(6,048)	(579,265)
Comprising:				
Total financial assets	**8,270,681**	**8,270,681**	8,399,376	8,399,376
Total financial liabilities	**(8,273,885)**	**(9,402,801)**	(8,405,424)	(8,978,641)

Total financial assets agree to current assets on the face of the Balance sheet. Total financial liabilities agree to the total of creditors due within and after one year on the face of the Balance sheet.
* including short-term trading balances with Group companies and amounts relating to tax.

GlaxoSmithKline Capital plc

Notes to the financial statements for the year ended 31st December 2011

Currency and interest rate risk profile of financial liabilities

Total financial liabilities comprise total borrowings of £8,138,329,000 (2010: £8,270,708,000).

At 31st December 2011	Fixed rate		
Currency	Weighted average interest rate %	Average years for which rate is fixed	Total £'000
Sterling	6.0	26	**2,661,168**
Euro	5.0	4	**5,477,161**
Total borrowings	5.3	11	**8,138,329**

At 31st December 2010	Fixed rate		
Currency	Weighted average interest rate %	Average years for which rate is fixed	Total £'000
Sterling	6.0	27	**2,659,627**
Euro	5.0	5	**5,611,081**
Total borrowings	5.3	12	**8,270,708**

Currency and interest rate risk profile of financial assets

Total financial assets comprise current asset financial instruments of £8,134,394,000 (2010: £8,262,759,000).

At 31st December 2011 Currency	Fixed rate £'000	Floating rate £'000	Total £'000
US dollars	-	4	**4**
Sterling	2,660,417	-	**2,660,417**
Euro	5,473,973	-	**5,473,973**
Total current asset financial instruments	8,134,390	4	**8,134,394**

At 31st December 2010 Currency	Fixed rate £'000	Floating rate £'000	Total £'000
US dollars	-	4	**4**
Sterling	2,680,367	-	**2,680,367**
Euro	5,582,388	-	**5,582,388**
Total current asset financial instruments	8,262,755	4	**8,262,759**

Currency exposure of net monetary assets / (liabilities)

Net monetary assets / (liabilities) held in foreign currency	2011 £'000	2010 £'000
US dollars	**4**	4
Euro	**(3,188)**	(28,693)
	(3,184)	(28,689)

Maturity of financial liabilities	Total 2011 £'000	Total 2010 £'000
Within one year or on demand	**(2,497,767)**	-
Between one and two years	**-**	(2,558,872)
Between two and five years	**(1,326,270)**	(1,358,208)
After five years	**(4,314,292)**	(4,353,628)
	(8,138,329)	(8,270,708)

The above table shows total borrowings only, with figures based on earlier of contractual re-pricing and maturity dates, and exclude derivatives.

14 Employees

The Company has no employees as all personnel are employed by other Group companies (2010: nil).

15 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 (2010: £nil). Corporate Directors received no remuneration during the year, either as executives of the Group or in respect of their services to the Company (2010: £nil).

16 Cash flow statement

A cash flow statement has been included in the consolidated financial statements of GlaxoSmithKline plc, the ultimate parent undertaking, which are publicly available. As a wholly owned subsidiary of the ultimate parent undertaking, advantage has been taken of the exemption afforded by FRS 1 (revised 1996) 'Cash flow statements' not to prepare a cash flow statement.

17 Contingent liabilities

Group banking arrangement

The Company, together with fellow Group undertakings has entered into a Group banking arrangement with the Company's principal bankers. 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 31st December 2011 is limited to the amount held on its accounts with the bank. No loss is expected to accrue to the Company from the agreement.

18 Ultimate parent undertaking

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.

19 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 8 'Related Party Disclosures' not to disclose any related party transactions within the Group. There are no other related party transactions.