GlaxoSmithKline Capital plc
(Registered Number 2258699)

Annual Report and Financial Statements

For the year ended 31st December 2008

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

GlaxoSmithKline Capital plc

Annual Report and Financial Statements

For the year ended 31st December 2008

GlaxoSmithKline Capital plc

Directors' Report for the year ended 31st December 2008

The Directors submit their report and the audited financial statements for the year ended 31st December 2008.

Principal activities

The Company 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 recorded a loss on ordinary activities after taxation for the year of £6,954,000 (2007 - profit of £3,359,000). 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 retained loss for the year of £6,954,000 will be transferred from reserves (2007 - retained profit for the year of £3,359,000 transferred to reserves).

Outstanding debt of £500,000,000 and EUR 1,000,000,000 in existence at 31 December 2007 was repaid during the year ended 31st December 2008 in April and October respectively. At 31st December 2008 there were no remaining loans due within one year on the Company's balance sheet.

Additionally, in March 2008 a new 31 year note for £700,000,000 was issued with interest fixed at 6.375% for maturity 9th March 2039. The bond was issued at a price of 99.648% (Re-offer) and a spread of plus 182.6 basis points. Net proceeds after selling fees were £693,161,000.

Following the maturity of the outstanding debt noted above which was swapped from Fixed Rate to Floating rate, all external debt is on a fixed rate basis.

Financial instruments

The Company had several interest rate swaps and a cross currency swap outstanding with commercial banks at 31st December 2007. These were entered into in order to manage the fixed/floating interest rate profile of debt. These instruments matured during the year and there are no derivatives outstanding at 31st December 2008. For details on Financial Risk Management, please see the Treasury Policy note on page 8 (note 2).

Principal risks and uncertainties

The Directors of the ultimate parent undertaking, GlaxoSmithKline plc, manage the risks at a group level, rather than at an individual business unit level. For this reason, the Company's directors believe that a detailed 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 detail on page 50 under Risk Factors in the Group's 2008 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 8 (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, Taxation, 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 currently face extreme financial difficulty, including a decline in asset prices, liquidity problems and limited availability of credit. It is uncertain how long this crisis will last, but many countries are concerned that their economies may enter a deep and prolonged recession. Such a decline in economic activity may have a material adverse effect on the Group's financial condition and ability to raise capital. The Group has no control over changes in inflation and interest rates, foreign currency exchange rates and controls or other economic factors affecting its businesses or the possibility of political unrest, legal and regulatory changes or nationalisation in jurisdictions in which the Group operates.

Reliance on Information Technology

The Company 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 Company's operations.

Taxation

The effective tax rate on the Group's earnings benefits from the fact that a portion of its earnings is taxed at more favourable rates in some jurisdictions outside the UK. Changes in tax laws or in their application with respect to matters such as controlled companies or a restriction in tax relief allowed on the interest on intra-Group debt, could in turn increase the Company's effective tax rate and adversely affect its financial results.

Directors' Report for the year ended 31st December 2008

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 Company's reported financial results. The Company believes that it complies with the appropriate regulatory requirements concerning its financial statements and disclosures. However, other companies have experienced investigations into potential non-compliance with accounting and disclosure requirements that have resulted in restatements of previously reported results and sometimes significant penalties.

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 analyses 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 on page 14, Key Performance Indicators, in the Group's 2008 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 4.

No dividend is proposed to the holders of Ordinary shares in respect of the year ended 31st December 2008 (2007 - nil).

Directors and their interests

The Directors of the Company who served during the year are the following UK registered entities:

Edinburgh Pharmaceutical Industries Limited, company number SC5534
Glaxo Group Limited, company number 305979

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, except where such an interest may arise in the ordinary course of business. Nor did any Director have any interest in the shares of the company or in the ultimate parent undertaking, GlaxoSmithKline plc.

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.

Statement of Directors' Responsibilities in respect of the Annual Report and the financial statements

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 those 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;
- State whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that 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 1985. 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.

As far as 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.

GlaxoSmithKline Capital plc

Directors' Report for the year ended 31st December 2008

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts, due to ongoing support from the intermediate parent undertaking, GlaxoSmithKline Finance plc.

The Company's Annual Report and financial statements for the year ended 31st December 2008 are available upon request in hard-copy form and made available on the Group's website. The Directors are responsible for the maintenance and integrity of the Annual Report on the website in accordance with UK legislation governing the preparation and dissemination of financial statements. Access to the website is available from outside the UK, where comparable legislation may be different.

Each of the current Directors, whose names and functions are listed under the section 'Directors and their interests' above confirms that, to the best of their knowledge:

- the Company's financial statements, which have been prepared in accordance with UK Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Directors' report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

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

Paul Blackburn
For and on behalf of Glaxo Group Limited - Corporate Director
1st April 2009

GlaxoSmithKline Capital plc

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 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs at 31st December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
1st April 2009

GlaxoSmithKline Capital plc

Profit and Loss Account
For the year ended 31st December 2008

	Notes	2008 £'000	2007 £'000
Administrative expenses		(892)	(75)
Operating loss	*3*	(892)	(75)
Net interest receivable	*4*	4,424	3,026
Profit on ordinary activities before taxation		3,532	2,951
Taxation	*5*	(10,486)	408
(Loss)/profit on ordinary activities after taxation	*11*	(6,954)	3,359

The results disclosed above relate entirely to continuing operations.

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

The notes on pages 8 to 16 form part of these financial statements.

GlaxoSmithKline Capital plc

Statement of Total Recognised Gains and Losses
For the year ended 31st December 2008

	2008 £'000	2007 £'000
(Loss)/profit for the financial year	**(6,954)**	3,359
Fair value movement of cash flow hedge reserve	**-**	(3,142)
Amount recycled to profit and loss account	**669**	387
Tax on fair value movement of cash flow hedge reserve	**-**	942
Deferred Tax - effect of tax rate change	**-**	(174)
Prior year deferred tax movement in cash flow hedge reserve	**(2,441)**	-
Tax on amount recycled to profit and loss account	**-**	(116)
Total (losses)/gains recognised	**(8,726)**	1,256

The notes on pages 8 to 16 form part of these financial statements.

GlaxoSmithKline Capital plc

Balance Sheet
As at 31st December 2008

	Notes	2008 £'000	2007 £'000
Debtors: amounts due after one year		**7,427,980**	5,609,871
Debtors: amounts due within one year		**104,695**	1,202,637
Debtors	6	**7,532,675**	6,812,508
Derivative financial assets	13	**-**	118,731
Cash at bank	8	**6**	4
Current assets		**7,532,681**	6,931,243
Loans due within one year	8	**-**	(1,233,574)
Creditors	7	**(113,285)**	(91,698)
Derivative financial liabilities	13	**-**	(83)
Creditors: amounts due within one year		**(113,285)**	(1,325,355)
Net current assets		**7,419,396**	5,605,888
Total assets less current liabilities		**7,419,396**	5,605,888
Loans due after one year	8	**(7,431,013)**	(5,608,779)
Creditors: amounts due after one year		**(7,431,013)**	(5,608,779)
Net liabilities		**(11,617)**	(2,891)
Capital and reserves			
Called up share capital	10	**100**	100
Profit and loss account	11	**(3,672)**	3,282
Other reserves	11	**(8,045)**	(6,273)
Equity shareholders' funds	12	**(11,617)**	(2,891)

The accounts on pages 5 to 16 were approved by the Board of Directors on 1st April 2009 and were signed on its behalf by:

Ashley Grist
For and on behalf of Edinburgh Pharmaceutical Industries Limited - Director

The notes on pages 8 to 16 form part of these financial statements.

GlaxoSmithKline Capital plc

Notes to the Financial Statements for the year ended 31st December 2008

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 is included in the publicly available consolidated financial statements of the Group, issued by GlaxoSmithKline plc as its parent company, 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 1985 and applicable UK Accounting Standards.

(b) Foreign currency transactions

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

(c) Dividends paid and received

Interim dividends paid and received are included in the profit and loss account in the period 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 brought to account 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 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) Derivative financial instruments

Derivative financial instruments are used to manage exposure to market risks from treasury operations. The principal derivative instruments used by the Company are interest rate swaps and cross currency swaps. The Company does not hold or issue derivative financial instruments for trading or speculative purposes.

Derivative financial instruments are initially recognised in the balance sheet at fair value on inception and then remeasured at subsequent reporting dates to fair value. Hedging derivatives are classified on inception as fair value hedges or cash flow hedges. Changes in the fair value of derivatives designated as fair value hedges are recorded in the profit and loss account, with the changes in the fair value of the hedged asset or liability.

Changes in the fair value of derivatives designated as cash flow hedges are recognised in equity. Amounts deferred in equity are transferred to the profit and loss account in line with the hedged transaction.

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the profit and loss account.

(i) Taxation

Current tax is provided at the amounts expected to be paid, applying tax rates that have been enacted or substantially 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 only recognised to the extent that they are considered recoverable against future taxable profits.

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

Group treasury policies noted below are those operated by GlaxoSmithKline Capital plc.

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

GlaxoSmithKline Capital plc

Notes to the Financial Statements for the year ended 31st December 2008

(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 Group corporate objectives. Treasury policies are governed by policies and procedures approved by the Board of GlaxoSmithKline plc and monitored by a Treasury Management Group ("TMG"). The Group maintains treasury control systems and procedures to monitor foreign exchange, interest rate, liquidity, credit and other financial risks.

(b) Liquidity

The Group operates globally, primarily through subsidiary companies established in the markets in which the Group trades. Due to the nature of the Group's business, with patent protection on many of the products in the Group's portfolio, the Group's products compete largely on product efficacy rather than on price. Selling margins are sufficient to cover normal operating costs and the Group's operating subsidiaries are substantially cash generative.

Operating cash flow is used to fund investment in the research and development of new products as well as routine outflows of capital expenditure, tax and dividends. The Group will from time to time have additional demands for finance, such as for share purchases and acquisitions.

GlaxoSmithKline operates at low levels of net debt relative to its market capitalisation. In addition to the strong positive cash flow from normal trading activities, additional liquidity is readily available via the US dollar commercial paper programme.

(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.

GlaxoSmithKline uses a variety of financial instruments, including derivatives, to finance its operations and to manage market risks from those operations.

GlaxoSmithKline uses a number of derivative financial instruments to manage the market risks from Treasury operations. 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 market risks from changes in foreign exchange rates and interest rates.

GlaxoSmithKline 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, mainly managed centrally by Corporate Treasury, 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) Maturity and counterparty risk

The Group manages its net borrowing requirements through a portfolio of long-term borrowings, including bonds, together with short-term finance under a US$10 billion commercial paper programme. At 31st December 2008, the Group also had $3.9 billion committed un-drawn bank facilities.

The Group has a Euro Medium Term Note programme of £10 billion, of which £7.9 billion was in issue as at 31st December 2008, and a US Shelf Registration, of which $11.1 billion (£7.7 billion) was in issue as at 31st December 2008. The TMG monitors the cash flow forecast of the Group on a monthly basis.

The Group's long-term borrowings mature at dates between 2010 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 2008, £nil (2007 - £1,234 million) 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.

GlaxoSmithKline Capital plc

Notes to the Financial Statements for the year ended 31st December 2008

3 Operating loss

	2008 £'000	2007 £'000
The following items have been charged in operating profit:		
Exchange losses on foreign currency transactions	(857)	(61)
Management fee	(35)	(14)
	(892)	(75)

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 this charge is Auditor Remuneration of £35,155 (2007: £12,000).

4 Net interest receivable

	2008 £'000	2007 £'000
Interest payable		
Net swap interest income/(expense)	7,559	(2,346)
Interest on Medium-Term Notes and Eurobonds	(383,596)	(184,874)
Amortisation of bond expenses	(7,868)	(4,368)
Ineffectiveness on fair value hedges	3,411	667
	(380,494)	(190,921)
Interest receivable		
On loans with Group undertakings	384,918	193,947
	4,424	3,026

5 Taxation

	2008	2007
Taxation charge based on profits for the period	£'000	£'000
UK corporation tax at 28.5% (2007: 30%)	1,007	885
Under/(over) provision in previous years	9,479	(1,362)
Current tax for period	10,486	(477)
Deferred tax - effect of tax rate change	-	69
	10,486	(408)

Reconciliation of current taxation charge	£'000	£'000
Profit on ordinary activities before taxation	3,532	2,951
Profit on ordinary activities at the UK statutory rate 28.5% (2007: 30%)	1,007	885
Permanent Disallowables - interest treated as paid by ultimate parent	108,441	57,276
Permanent Deductions - group relief received for no payment	(108,441)	(57,276)
(Over)/under provision in previous years	9,479	(1,362)
Current tax charge for the period	10,486	(477)

The prior year adjustments are in respect of various periods and arise from revision during the period of management's estimates, following agreements with the tax authorities and the subsequent amendments to UK group loss utilisation and payment allocation.

6 Debtors

	2008 £'000	2007 £'000
Amounts due within one year		
Amounts owed by Group undertakings - loans	-	1,116,879
Amounts owed by Group undertakings - current account	103,850	82,351
Deferred tax asset (see note 9)	845	3,407
	104,695	1,202,637
Amount due after one year		
Amounts owed by Group undertakings	7,427,980	5,609,871
	7,532,675	6,812,508

GlaxoSmithKline Capital plc

Notes to the Financial Statements for the year ended 31st December 2008

7 Creditors

	2008 £'000	2007 £'000
Amounts due within one year		
Taxation	**886**	771
Other creditors	**112,399**	90,927
	113,285	91,698

The corporation tax creditor contains amounts which will be paid to fellow Group companies.
The majority of other creditors relates to interest payable.

8 Net Debt

	2008 £'000	2007 £'000
Cash at bank	**6**	4
Amounts owed by Group undertakings (see note 6)	**7,427,980**	6,726,750
Interest rate swaps	**-**	7,333
Currency swaps	**-**	111,315
	7,427,986	6,845,402
Loans due within one year:		
Eurobonds and Medium-Term Notes	**-**	(1,233,574)
Loans due after one year:		
Eurobonds and Medium-Term Notes	**(7,431,013)**	(5,608,779)
Net debt	**(3,027)**	3,049

In March 2008 a new 31 year note for £700m was issued with interest fixed at 6.375% for maturity 9th March 2039. The bond was issued at a price of 99.648% (Re-offer) and a spread of plus 182.6 basis points. Net proceeds after selling fees were £693,161,000.

The £500m and EUR 1bn loans outstanding at 31 December 2007 were repaid during the year ended 31st December 2008 in April and October respectively. At 31st December 2008 there were no loans due within one year.

In addition, Eurobonds and Medium-Term Notes have increased due to the amortisation of capitalised bond costs. The cumulative effect of amortisation of capitalised bond costs as at 31 December 2008 is £24,279,000 (2007 - £16,411,000).

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

Loans due after one year

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

	2008 £'000	2007 £'000
Between one and two years	**-**	-
Between two and five years	**2,872,115**	2,193,675
After five years	**4,558,898**	3,415,104
	7,431,013	5,608,779

The loans repayable between two and five years carry interest rates of 3 per cent and 5.125 per cent (EUR). The repayment dates are 18th June 2012 and 13th December 2012 respectively.

The loans repayable after five years carry interest rates of 5.625% and 4% (EUR), and 5.25%, 6.375% and 5.25% (GBP). The repayment dates are 13th December 2017, 16th June 2025, 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 taxation asset

	2008	2007
	£'000	£'000
Short term timing differences	845	3,407
	845	3,407

Deferred tax asset	Total £'000
At 1st January 2008	3,407
Prior year deferred tax movement in cash flow hedge reserve	(2,441)
Other movements/transfer to current tax	(121)
At 31st December 2008	845

10 Called up share capital - equity interests

	2008 Number of shares	2007 Number of shares	2008 £'000	2007 £'000
Authorised				
Ordinary Shares of £1 each	100,000	100,000	100	100
Issued and fully paid				
Ordinary Shares of £1 each	100,000	100,000	100	100

11 Reserves - equity interests

	Profit & Loss account £'000	Cash flow hedge Reserve £'000	Total Reserves £'000
At 1st January 2008	3,282	(6,273)	(2,991)
Retained loss for the financial year	(6,954)	-	(6,954)
Movement in cash flow hedge reserve	-	(1,772)	(1,772)
At 31st December 2008	(3,672)	(8,045)	(11,717)

12 Reconciliation of movements in shareholders' funds

	2008 £'000	2007 £'000
(Loss)/profit for the financial year	**(6,954)**	3,359
Movement in cash flow hedge reserve (net of taxation)	**(1,772)**	(2,103)
Net addition to shareholders' funds	**(8,726)**	1,256
Opening shareholders' funds	**(2,891)**	(4,147)
Closing shareholders' funds – equity interests	**(11,617)**	(2,891)

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 in place in respect of foreign currency medium-term debt instruments.

Interest rate risk management

To manage the fixed/floating interest rate profile of debt, the Company held an interest rate swap and one cross currency swap which matured in April and October 2008 respectively when the underlying debt matured. Currently there are no interest rate swaps in place.

Fair Value of Derivatives

The Company had designated interest rate swaps and the interest element of cross currency swaps as fair value hedges. The risk being hedged was the variability of the fair value of the bonds arising from interest rate fluctuations. At 31st December 2008, no hedges were in place, the previous having matured as noted under Interest Rate Risk Management.

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.

Fair value of financial assets and liabilities

The table on page 14 presents the carrying amounts under UK GAAP and the fair values of the Company's financial assets and liabilities at 31st December 2008 and 31st December 2007.

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 above:

- 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 the Eurobonds and other fixed rate borrowings, approximates to the carrying amount in the case of floating rate bank loans and other loans;
- Cross currency interest rate instruments - fair value is determined using the net present value of discounted cash flows;
- Interest rate instruments – fair value is determined using the net present value of discounted cash flows;
- Debtors and creditors – approximates to the carrying amount.

GlaxoSmithKline Capital plc

Notes to the Financial Statements for the year ended 31st December 2008

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

	At 31.12.08		At 31.12.07	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Net debt				
Cash at bank	6	6	4	4
Amounts owed by Group undertakings	7,427,980	7,427,980	6,726,750	6,726,750
Current asset financial instruments	7,427,986	7,427,986	6,726,754	6,726,754
Sterling notes and bonds	(2,656,546)	(2,559,865)	(1,961,734)	(1,908,304)
US dollar notes and bonds	-	-	-	-
Notes and bonds swapped into US dollars	-	-	(497,462)	(496,345)
	-	-	(497,462)	(496,345)
Euro notes and bonds	(4,774,467)	(4,977,438)	(4,383,157)	(4,281,799)
Total borrowings	(7,431,013)	(7,537,303)	(6,842,353)	(6,686,448)
Total derivative instruments for management of net debt	-	-	118,648	118,648
Total net debt (per note 8)	(3,027)	(109,317)	3,049	158,954
Other debtors *	104,695	104,695	85,758	85,758
Other creditors *	(113,285)	(113,285)	(91,698)	(91,698)
Net financial assets and liabilities	(11,617)	(117,907)	(2,891)	153,014
Comprising:				
Total financial assets	7,532,681	7,532,681	6,931,243	6,931,243
Total financial liabilities	(7,544,298)	(7,650,588)	(6,934,134)	(6,778,229)

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. Derivative assets and liabilities have been presented net for the purposes of this table.

* - including short-term trading balances with Group companies, and amounts relating to tax.

Derivative Instruments

	At 31.12.08		At 31.12.07	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Amounts due within one year				
Derivatives designated as hedging instruments	-	-	118,731	83
	-	-	118,731	83
Amounts due after one year				
Derivatives designated as hedging instruments	-	-	-	-
	-	-	-	-
Total derivative instruments for management of net debt	-	-	118,731	83

The notional principal amount of the outstanding interest rate swap contracts as at 31st December 2008 was £nil (2007 - £1,235m).

The notional principal amount of the outstanding cross currency swap contract at 31st December 2008 was £nil (2007 - £500m).

The benchmark rate for determining interest payments for all floating rate financial liabilities is LIBOR as at the end of the reporting period.

GlaxoSmithKline Capital plc

Notes to the Financial Statements for the year ended 31st December 2008

Currency and interest rate risk profile of total liabilities

Total financial liabilities below comprise total borrowings of £7,431,013,000 (2007 - £6,842,353,000) shown in Net Debt. Derivative liabilities of £nil are also included (2007 - £83,000).

Financial liabilities as presented after the effect of currency and interest rate swaps are analysed below.

At 31st December 2008 Currency	Fixed rate £'000	Average interest rate %	Average years for which rate is fixed	Floating rate £'000	Total £'000
US dollars	-	-	-	-	-
Sterling	2,656,546	6.0	29	-	2,656,546
Euro	4,774,467	5.0	7	-	4,774,467
Total Adjusted Financial Liabilities	7,431,013	5.4	15	-	7,431,013

At 31st December 2007 Currency	Fixed rate £'000	Average interest rate %	Average years for which rate is fixed	Floating rate £'000	Total £'000
US dollars	-	-	-	497,545	497,545
Sterling	1,961,734	5.0	30	-	1,961,734
Euro	3,647,045	5.0	8	736,112	4,383,157
Total Adjusted Financial Liabilities	5,608,779	5.0	16	1,233,657	6,842,436

The above average interest rate is a weighted average interest rate.

Currency and interest rate risk profile of current financial assets

Financial assets as presented after the effect of currency and interest rate swaps are analysed below.

Total financial assets below comprise cash at bank of £6,000 (2007 - £4,000), amounts owed by group undertakings of £7,427,980,000 (2007 - £6,726,750,000), and derivative financial assets due within one year of £nil (2007 - £118,731,000). Derivative financial assets due after one year were £nil (included in 2007 - £nil).

At 31st December 2008 Currency	Fixed rate £'000	Floating rate £'000	Total £'000
US dollars	-	4	4
Sterling	2,672,286	-	2,672,286
Euro	4,755,694	1	4,755,695
Other - Swiss Franc and Japanese Yen	-	1	1
Total Adjusted Financial Assets	7,427,980	6	7,427,986

At 31st December 2007 Currency	Fixed rate £'000	Floating rate £'000	Total £'000
US dollars	-	499,389	499,389
Sterling	1,973,156	-	1,973,156
Euro	3,636,707	736,225	4,372,932
Total Adjusted Financial Assets	5,609,863	1,235,614	6,845,477

Notes to the Financial Statements for the year ended 31st December 2008

Currency exposure of net monetary assets / (liabilities)

Monetary assets and liabilities denominated in foreign currency.

Net monetary assets/(liabilities) held in foreign currency	2008 £'000	2007 £'000
US dollars	**4**	1,844
Euro	**(18,772)**	(10,225)
Other - Swiss Franc and Japanese Yen	**1**	-
	(18,767)	(8,381)

Maturity of financial liabilities	Total 2008 £'000	Total 2007 £'000
Within one year or on demand	**-**	(1,233,574)
Between one and two years	**-**	-
Between two and five years	**(2,872,115)**	(2,193,675)
After five years	**(4,558,898)**	(3,415,104)
	(7,431,013)	(6,842,353)

The above table shows total borrowings only.
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 (2007 - nil).

15 Directors' remuneration

The Corporate Directors received no remuneration in respect of their services to the Company (2007 - £nil).

16 Cash flow statement

A cash flow statement has been included in the consolidated financial statements of GlaxoSmithKline plc, the ultimate parent undertaking. As a wholly owned subsidiary of the ultimate parent undertaking, advantage has been taken of the exemption afforded by FRS 1 'Cash Flow Statements' (Revised 1996) 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 is limited to the amount held on its account with the bank at 31st December 2008. No loss is expected to accrue to the Company from the agreement.

18 Ultimate parent undertaking

GlaxoSmithKline plc, company number 3888792, a company registered in England and Wales, is the Company's ultimate parent undertaking. 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 plc, company number 2337959, a company registered in England and Wales.

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.