

**GlaxoSmithKline Capital plc**  
(Registered number: 2258699)

**Interim Management Report**

**for the half year ended 30 June 2016**

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

**GlaxoSmithKline Capital plc**  
**Interim Management Report**  
**for the half year ended 30 June 2016**

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## **GlaxoSmithKline Capital plc**

Registered number: (2258699)

### **Results announcement and interim management report for the half year ended 30 June 2016**

#### **Performance**

GlaxoSmithKline Capital plc (the "Company") is a member of the GlaxoSmithKline Group of companies (the "Group") and issues notes under the Group's European and US Medium Term Note programme and provides financing and financial services to other Group entities.

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 half year ended 30 June 2016 of £5,691,000 (2015: £4,061,000), which will be transferred to reserves. The Directors are of the opinion that the current level of activity and the period end financial position are satisfactory and will remain so in the foreseeable future.

No dividend is proposed to the holders of Ordinary Shares in respect of the period ended 30 June 2016 (2015: £nil).

At 30 June 2016, the Company had in issue £7,775,675,000 Euro Medium Term Notes and £2,995,433,000 US Medium Term Notes (2015: £7,333,954,000 and £2,708,365,000 respectively) which mature at dates between 2017 and 2045. All notes currently in issue pay interest on a fixed rate basis.

#### **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 2015 Annual Report and Second Quarter 2016 Results Announcement which do not form part of this report

Details of the Company's Financial risk management is also disclosed in the Company's Director's Report and Financial Statements for the year ended 31 December 2015.

#### **Going concern**

After making certain 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 this document, due to ongoing support from the intermediate parent undertaking, GlaxoSmithKline Finance plc.

#### **Directors' responsibility statement**

The Board of Directors approved this document on 27 July 2016.

The Directors confirm that to the best of their knowledge this unaudited condensed financial information for the six months ended 30 June 2016 has been prepared in accordance with Financial Reporting Standard 104 "Interim Financial Reporting" and that the interim management report herein includes a true and fair view of the information required by Disclosure and Transparency Rules (DTR) 4.2.7.

**GlaxoSmithKline Capital plc**

Registered number: (2258699)

**Results announcement and interim management report for the half year ended 30 June 2016**

The Directors of the Company are:

S P Dingemans  
Edinburgh Pharmaceutical Industries Limited  
Glaxo Group Limited

On behalf of the Board

**A Walker**

**For and on behalf of Glaxo Group Limited**

**Corporate Director**

27 July 2016

**Internet**

This Announcement and other information about the GSK Group are available on the website at:  
<http://www.gsk.com>

**GlaxoSmithKline Capital plc**  
Registered number: (2258699)

**Income statement  
for the half year ended 30 June 2016**

	Note	Period ended 30 June 2016 £'000	Period ended 30 June 2015 £'000
Other operating income	3	1,527	(353)
<b>Operating profit/(loss)</b>		<b>1,527</b>	<b>(353)</b>
Finance income	4	196,314	205,468
Finance expense	5	(190,729)	(199,964)
Net finance income		5,585	5,504
<b>Profit on ordinary activities before taxation</b>		<b>7,112</b>	<b>5,151</b>
Tax on profit on ordinary activities	6	(1,421)	(1,090)
<b>Profit for the financial period</b>		<b>5,691</b>	<b>4,061</b>

**GlaxoSmithKline Capital plc**  
Registered number: (2258699)

**Statement of comprehensive income  
for the half year ended 30 June 2016**

	Note	Period ended 30 June 2016 £'000	Period ended 30 June 2015 £'000
<b>Profit for the financial period</b>		<b>5,691</b>	4,061
<b>Items that may be subsequently reclassified to the Income statement:</b>			
Reclassification of cash flow hedges to the Income statement		<b>477</b>	477
<b>Other comprehensive income for the financial period</b>		<b>477</b>	477
<b>Total comprehensive income for the financial period</b>		<b>6,168</b>	4,538

## GlaxoSmithKline Capital plc

Registered number: (2258699)

### Statement of financial position

As at 30 June 2016

	Note	Period ended 30 June 2016 £'000	Period ended 30 June 2015 £'000
<b>Current assets</b>			
Other receivables	7	10,909,932	10,166,218
- including £9,212,417,000 (2015: £9,986,490,000) due after more than one year			
Cash and cash equivalents		2	2
<b>Total current assets</b>		<b>10,909,934</b>	10,166,220
<b>Creditors: amounts falling due within one year</b>	8	<b>(1,614,897)</b>	(104,207)
<b>Net current assets</b>		<b>9,295,037</b>	10,062,013
<b>Total assets less current liabilities</b>		<b>9,295,037</b>	10,062,013
<b>Creditors: amounts falling due after more than one year</b>	8	<b>(9,269,175)</b>	(10,042,319)
<b>Net assets</b>		<b>25,862</b>	19,694
<b>Capital and reserves</b>			
Called up share capital		100	100
Other reserves		(9,437)	(9,914)
Retained earnings		35,199	29,508
<b>Total shareholders' funds</b>		<b>25,862</b>	19,694

**GlaxoSmithKline Capital plc**  
Registered number: (2258699)

**Statement of changes in equity  
for the half year ended 30 June 2016**

	Called up Share capital £'000	Other reserves £'000	Retained earnings £'000	Total shareholders' funds £'000
At 1 January 2015	100	(10,435)	20,759	10,424
Profit for the financial period	-	-	4,061	4,061
Other comprehensive income for the financial period	-	477	-	477
<b>At 30 June 2015</b>	<b>100</b>	<b>(9,958)</b>	<b>24,820</b>	<b>14,962</b>

	Called up Share capital £'000	Other reserves £'000	Retained earnings £'000	Total shareholders' funds £'000
<b>At 1 January 2016</b>	<b>100</b>	<b>(9,914)</b>	<b>29,508</b>	<b>19,694</b>
Profit for the financial period	-	-	5,691	5,691
Other comprehensive income for the financial period	-	477	-	477
<b>At 30 June 2016</b>	<b>100</b>	<b>(9,437)</b>	<b>35,199</b>	<b>25,862</b>



## GlaxoSmithKline Capital plc

Registered number: (2258699)

### Cash flow statement for the half year ended 30 June 2016

	Note	Period ended 30 June 2016 £'000	Period ended 30 June 2015 £'000
<b>Net cash inflow from operating activities</b>	10	<b>6,353</b>	651,922
<b>Cash flow from financing activities</b>			
Repayment of short-term loans		-	(648,232)
Decrease in loans with Group undertakings		<b>(6,354)</b>	(3,636)
<b>Net cash outflow from financing activities</b>		<b>(6,354)</b>	(651,868)
<b>(Decrease)/increase in cash in the period</b>		<b>(1)</b>	54
Cash at beginning of period		<b>3</b>	3
Decrease in cash		<b>(1)</b>	-
Cash at end of period		<b>2</b>	3

**Notes to the financial statements for the period ended 30 June 2016**

**1 Accounting presentation and policies**

This unaudited Results Announcement containing condensed financial information for the six months ended 30 June 2016 is prepared in accordance with Financial Reporting Standard 104 "Interim Financial Reporting" using the recognition and measurement requirements of Financial Reporting Standard 101 "Reduced Disclosure Framework" and in accordance with the Listing Rules of the UK Listing Authority.

**2 First time application of FRS 100, 101 and FRS 104**

Effective from 1 January 2015, the Company has adopted Financial Reporting Standard 100 "Application of Financial Reporting Requirements" ("FRS 100"), Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101") and FRS 104 "Interim Financial Reporting". In previous years, the financial statements and interim results announcements were prepared in accordance with applicable UK accounting standards and pronouncements on interim reporting issued by the Accounting Standards Board (ASB).

Under previous applicable UK accounting standards, the Company adopted FRS 26 "Financial Instruments: Measurement" and the effect of this was the revaluation of financial assets and liabilities to fair value, including the valuation of derivative instruments at market rates. Therefore, the change in the basis of preparation to FRS 100 and FRS 101 has not altered in any way the recognition and measurement requirements previously applied in accordance with applicable accounting standards. Consequently the principal accounting policies set out in the Company's audited Financial Statements 2015 are unchanged and have been consistently applied in the preparation of this Results Announcement.

This Results Announcement does not constitute statutory accounts of the Company within the meaning of sections 434(3) and 435(3) of the Companies Act 2006. The Statement of Financial Position as at 31 December 2015 has been derived from the full accounts published in the Financial Statements 2015, which have been delivered to the Registrar of Companies and on which the report of the independent auditors was unqualified and did not contain a statement under section 498 of the Companies Act 2006.

**3 Other operating income**

	Period ended 30 June 2016 £'000	Period ended 30 June 2015 £'000
Exchange gain/(loss) on foreign currency transactions	1,527	(326)
Management fee	-	(27)
	<b>1,527</b>	<b>(353)</b>

**4 Finance income**

	Period ended 30 June 2016 £'000	Period ended 30 June 2015 £'000
On loans with Group undertakings	196,314	205,468
<u>Total finance income</u>	<u>196,314</u>	<u>205,468</u>

**5 Finance expense**

	Period ended 30 June 2016 £'000	Period ended 30 June 2015 £'000
Interest expense arising on financial liabilities at amortised cost	(190,252)	(199,487)
Reclassification of cash flow hedge from other comprehensive income	(477)	(477)
<u>Total finance expense</u>	<u>(190,729)</u>	<u>(199,964)</u>

Notes to the financial statements for the period ended 30 June 2016

**6 Tax on profit on ordinary activities**

	Period ended 30 June 2016 £'000	Period ended 30 June 2015 £'000
<b>Income tax expense on ordinary activities</b>		
Current tax:		
UK corporation tax at 20% (2015: 20.25%)	(1,421)	(1,090)
<b>Income tax expense on ordinary activities</b>	<b>(1,421)</b>	<b>(1,090)</b>

**7 Other receivables**

	30 June 2016 £'000	31 December 2015 £'000
<b>Amounts due within one year</b>		
Amounts owed by Group undertakings	1,493,098	-
Amounts owed by Group undertakings - loans	86,435	74,346
Amounts owed by Group undertakings – current accounts	117,982	105,382
	<b>1,697,515</b>	<b>179,728</b>
<b>Amounts due after more than one year</b>		
Amounts owed by Group undertakings	9,210,241	9,984,314
Deferred tax	2,176	2,176
	<b>9,212,417</b>	<b>9,986,490</b>
	<b>10,909,932</b>	<b>10,166,218</b>

Amounts owed by Group undertakings include the net proceeds of bond issuances that have been advanced as loans totalling £10,703,339,000 (2015: £9,984,314,000), which are unsecured with interest charged at between 1.05% and 6.50% per annum and repayable at maturity dates between 2017 and 2045. In addition, there are deposits with Group undertakings totalling £86,435,000 (2015: £74,346,000), which are unsecured, interest bearing and repayable on demand.

**8 Creditors**

	30 June 2016 £'000	31 December 2015 £'000
<b>Amounts falling due within one year</b>		
Amounts owed to Group undertakings	(21)	(67)
Corporation tax	(3,554)	(2,133)
Loans payable:		
US Medium Term Notes	(1,501,933)	-
Accruals and deferred income	(109,389)	(102,007)
	<b>(1,614,897)</b>	<b>(104,207)</b>
<b>Amounts falling due after more than one year</b>		
Loans payable:		
Euro Medium Term Notes	(7,775,675)	(7,333,954)
US Medium Term Notes	(1,493,500)	(2,708,365)
	<b>(9,269,175)</b>	<b>(10,042,319)</b>
	<b>(10,884,072)</b>	<b>(10,146,526)</b>

**Notes to the financial statements for the period ended 30 June 2016**

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.

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

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

**9 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 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 US and Euro Medium Term Notes, intercompany receivables; and other fixed rate borrowings, approximates to the carrying value in the case of floating rate bank loans and other loans; and
- Receivables and payables – approximates to the carrying value.

There are no material differences between the carrying value of the Company's other financial assets and liabilities and their estimated fair value, with the exception of Bonds, for which the carrying values and fair values are set out in the table below.

	<b>30 June 2016</b>		31 December 2015	
	<b>Carrying value</b>	<b>Fair value</b>	Carrying value	Fair value
	<b>£'000</b>	<b>£'000</b>	£'000	£'000
Cash and cash equivalent	<b>2</b>	<b>2</b>	2	2
Loans and receivables:				
Loans with Group undertakings	<b>10,703,339</b>	<b>12,794,093</b>	9,984,314	11,180,812
Other receivables	<b>204,417</b>	<b>204,417</b>	179,728	179,728
<b>Total financial assets</b>	<b>10,907,758</b>	<b>12,998,512</b>	10,164,044	11,360,542
Financial liabilities measured at amortised cost:				
£ Euro Medium Term Notes	<b>(4,049,116)</b>	<b>(5,596,191)</b>	(4,047,820)	(4,895,199)
€ Euro Medium Term Notes	<b>(3,726,559)</b>	<b>(4,105,992)</b>	(3,286,134)	(3,549,695)
US\$ US Medium Term Notes	<b>(2,995,433)</b>	<b>(3,091,910)</b>	(2,708,365)	(2,735,918)
Other payables	<b>(109,410)</b>	<b>(109,410)</b>	(102,074)	(102,074)
<b>Total financial liabilities</b>	<b>(10,880,518)</b>	<b>(12,903,503)</b>	(10,144,393)	(11,282,886)
<b>Net financial assets and liabilities</b>	<b>27,240</b>	<b>95,009</b>	19,651	77,656

The total financial liabilities and assets of £12,794,093,000 (2015: £11,180,812,000) for which the fair value is disclosed in the table above are categorised as Level 1, where quoted prices in active markets are used. All other assets and liabilities for which fair value is disclosed in the table above are categorised as Level 3, where one or more of the significant inputs to the valuation model is not based on observable market data.

**Notes to the financial statements for the period ended 30 June 2016**

**10 Reconciliation of operating profit to net cash inflow from operating activities**

	<b>Period ended 30 June 2016 £'000</b>	Period ended 30 June 2015 £'000
Operating profit	<b>1,527</b>	(353)
Exchange movements	<b>(1,527)</b>	547
Movements in working capital:		
Decrease in debtors	-	(201)
Decrease in creditors	<b>(46)</b>	-
Interest paid	<b>(177,324)</b>	(175,706)
Interest received	<b>183,723</b>	182,669
Loan repayments received from Group undertakings	-	644,966
<b>Net cash inflow from operating activities</b>	<b>6,353</b>	651,922

**11 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 within the Group. There are no other related party transactions.