

GlaxoSmithKline Capital plc
(Registered number: 2258699)

Directors' report and financial statements

for the year ended 31 December 2012

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GlaxoSmithKline Capital plc

Directors' report and financial statements

for the year ended 31 December 2012

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GlaxoSmithKline Capital plc
Registered number: (2258699)

Directors' report for the year ended 31 December 2012

The Directors submit their report and the audited financial statements for the year ended 31 December 2012.

Principal activities

GlaxoSmithKline Capital plc (the "Company") issues US and Euro Medium Term Notes and provides financing and financial services to fellow subsidiaries of GlaxoSmithKline plc and its subsidiaries (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 £4,315,000 (2011: profit of £2,650,000). 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 year of £4,315,000 will be transferred to reserves (2011: profit for the year of £2,650,000 transferred to reserves).

All US and Euro Medium Term Notes in issue pay interest on a fixed rate basis.

On 9 May 2012, three new bonds were issued under the US F-3 Shelf Registration programme. The three bonds were a US \$1,000,000,000 (£613,497,000), 0.75 per cent coupon bond maturing in May 2015, a US \$2,000,000,000 (£1,226,994,000), 1.50 per cent coupon bond maturing in May 2017, and a US \$2,000,000,000 (£1,226,994,000), 2.85 per cent coupon bond maturing in 2022. The net proceeds of the issue after discount and fees were US \$4,956,870,000 (£3,041,025,000).

On 18 December 2012, two new Sterling bonds were issued under the European Medium Term Note programme. The two bonds were a £600,000,000, 3.375 per cent coupon bond maturing in December 2027 and an £800,000,000, 4.25 per cent coupon bond maturing in December 2045. The net proceeds of the issuances after discount and fees was £1,377,126,000.

During 2012, two Euro Medium Term Notes were repaid upon maturity. They were a €750,000,000 (£607,698,000) bond repaid on 18 June 2012 and a €2,250,000,000 (£1,817,873,000) bond repaid on 13 December 2012. At 31 December 2011 these notes were classified as due within one year on the Company's balance sheet. At 31 December 2012 there were no remaining loans due within one year on the Company's balance sheet.

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 2012 Annual Report which does not form part of this report.

In addition to the financial risk management disclosed in the Treasury policy note on pages 12 and 13 (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.

Directors' report for the year ended 31 December 2012

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 recently faced extreme financial difficulty, including a decline in asset prices, liquidity problems and limited availability of credit. The economic uncertainty of 2011 continued into 2012, particularly in Europe. 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 and interest rates, foreign currency exchange rates and controls or other economic factors affecting 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.

Compliance with financial reporting and disclosure requirements

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 its financial statements and disclosures.

Key performance indicators (KPIs)

The Directors of the Group 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 2012 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 7.

No dividend is proposed to the holders of Ordinary shares in respect of the year ended 31 December 2012 (2011: £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 S P Dingemans

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.

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Directors' report for the year ended 31 December 2012

Name	Ordinary Shares			
	At 31.12.11	Acquired	Disposed	At 31.12.12
Mr S P Dingemans	40,171	221	-	40,392
Share options	At 31.12.11	Granted	Dividends reinvested	At 31.12.12
Mr S P Dingemans	-	310	-	310
Performance Share Plan awards	At 31.12.11	Granted	Dividends reinvested	At 31.12.12
Mr S P Dingemans	200,716	170,141	14,769	385,626
Deferred Annual Bonus Plan	At 31.12.11	Granted	Dividends reinvested	At 31.12.12
Mr S P Dingemans	-	58,572	1,368	59,940

All share awards are over Ordinary shares of GlaxoSmithKline plc.

The details of the above-mentioned Plans are disclosed in the 2012 Annual Report of 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 his 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 period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; 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.

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Directors' report for the year ended 31 December 2012

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.

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.

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
15 April 2013

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 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, 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 as at 31 December 2012 and of its profit and cash flows 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.

GlaxoSmithKline Capital plc

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
15 April 2013

GlaxoSmithKline Capital plc

Profit and loss account for the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Operating profit/(loss)	3	51	(403)
Interest receivable and similar income	4	431,976	418,846
Interest payable and similar charges	5	(426,275)	(414,791)
Net interest receivable		5,701	4,055
Profit on ordinary activities before taxation		5,752	3,652
Tax on profit on ordinary activities	6	(1,437)	(1,002)
Profit for the financial year	11	4,315	2,650

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

There is no difference in either the current year or prior year 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 31 December 2012

	Note	2012 £'000	2011 £'000
Profit for the financial year		4,315	2,650
Fair value loss on cash flow hedges	11	(4,880)	-
Cash flow hedge reserve recycled to profit and loss account	11	418	194
Total recognised gains and losses relating to the year		(147)	2,844

GlaxoSmithKline Capital plc

Balance Sheet as at 31 December 2012

	Notes	2012 £'000	2011 £'000
Current assets			
Debtors: amounts due after one year	7	9,963,297	5,619,589
Debtors: amounts due within one year	7	159,141	2,651,088
Debtors	7	10,122,438	8,270,677
Cash at bank and in hand		2	4
		10,122,440	8,270,681
Creditors: amounts falling due within one year	8	(131,863)	(2,633,323)
Net current assets		9,990,577	5,637,358
Creditors: amounts falling due after more than one year	8	(9,993,928)	(5,640,562)
Net liabilities		(3,351)	(3,204)
Capital and reserves			
Called up share capital	10	100	100
Profit and loss account	11	8,040	3,725
Cash flow hedge reserve	11	(11,491)	(7,029)
Total shareholders' deficit	12	(3,351)	(3,204)

The financial statements on pages 7 to 21 were approved by the Board of Directors on 15 April 2013 and were signed on its behalf by:

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

GlaxoSmithKline Capital plc

Cash flow statement for the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Net cash outflow from operating activities	14	(1,096)	(2)
Returns on investments and servicing of finance			
Interest paid		(420,953)	(408,504)
Interest received		436,120	420,709
Fair value loss on cash flow hedges		(4,880)	-
Net cash inflow from returns on investments and servicing of finance		10,287	12,205
Financing			
Long-term loans issued		4,429,763	-
New long-term loans with Group undertakings		(4,431,089)	-
Repayment of short-term loans		(2,425,571)	-
Repayment of short-term loans with Group undertakings		2,410,128	-
Increase/(decrease) in loans with Group undertakings		7,576	(12,203)
Net cash outflow from financing		(9,193)	(12,203)
Decrease in cash in the year		(2)	-
Reconciliation of net cash flow to movement in net debt			
Decrease in cash in the year		(2)	-
Cash outflow from amounts owed by Group undertakings	15	2,013,385	12,203
Cash inflow from loans issued	15	(4,429,763)	-
Cash outflow from repayment of short-term loans	15	2,425,571	-
Changes in net debt resulting from cash flows		9,191	12,203
Foreign currency translation differences	15	94	(293)
Amortisation of bond issue costs	15	(10,063)	(7,896)
Movement in net debt for the year		(778)	4,014
Net debt as at 1 January		(3,935)	(7,949)
Net debt as at 31 December		(4,713)	(3,935)

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Notes to the financial statements for the year ended 31 December 2012

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 GlaxoSmithKline plc and its subsidiaries (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 continued financial support from the intermediate parent company, 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 exchange rate ruling on the date of the transaction. Foreign currency monetary assets and liabilities are retranslated into local currency at rates of exchange ruling at the balance sheet date. Exchange differences are included in operating profit/(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. A 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.

(h) Taxation

Current tax is provided at the amounts expected to be paid applying tax rates that have been enacted or substantively enacted at 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 when recoverable, when, on the basis of all available evidence, it can be regarded as more likely than not that

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Notes to the financial statements for the year ended 31 December 2012

there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

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 based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax liabilities and assets are not discounted.

2 Treasury policies

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. 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 is to monitor and manage 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 Group's Board of Directors, most recently on 11 July 2012. A Treasury Management Group (TMG) meeting chaired by the Group's Chief Financial Officer, takes place on a monthly basis to review treasury activities. Its members receive management information relating to treasury activities. The Group maintains Treasury control systems and procedures to monitor foreign exchange, interest rate, liquidity, credit and other financial risks.

(a) Capital management

The capital structure of the Group is managed through an appropriate mix of debt and equity in order to optimise returns to shareholders whilst maintaining credit ratings that provide the Company with flexibility to access debt capital markets on attractive terms.

(b) Liquidity

The Group's policy is to borrow centrally in order to meet anticipated funding requirements. The cash flow forecast and funding requirements are monitored by the TMG on a monthly basis. The Group's strategy is to diversify liquidity sources using a range of facilities and to maintain broad access to funding markets.

The Group has a European Medium Term Note programme of £15 billion and at 31 December 2012, £7.0 billion of notes were in issue under this programme. The Group also has a US F-3 shelf registration statement and at 31 December 2012, \$15.0 billion (£9.2 billion) of notes were in issue under this programme. The Group's long-term borrowings mature at dates between 2014 and 2045.

(c) Treasury operations

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

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

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Notes to the financial statements for the year ended 31 December 2012

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 derivatives for speculative purposes. 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) Interest rate risk management

The Group's objective is to reduce its effective net interest cost and to rebalance the mix of debt at fixed and floating interest rates over time. The policy on interest rate risk management limits the amount of floating interest payments to a prescribed percentage of operating profit. At 31 December 2012, £nil (31 December 2011: £nil) of the Company's net borrowings were exposed to floating interest rates after the effects of hedging.

(e) Foreign exchange risk management

In order to reduce foreign currency translation exposure, 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 can be swapped into other currencies as required for Group purposes.

(f) Counterparty risk management

The Group sets global counterparty limits for each of its banking and investment counterparties based on long-term credit ratings from Moody's and Standard and Poor's. Corporate Treasury's usage of these limits is monitored daily by a Corporate Compliance Officer (CCO) who operates independently of Corporate Treasury. Any breach of these limits would be reported to the CFO immediately.

The CCO also monitors the credit rating of these counterparties and, when changes in ratings occur, notifies Corporate Treasury so that changes can be made to investment levels or to authority limits as appropriate. In addition, a report on relationship banks and their credit ratings is presented annually to the TMG for approval and reviewed regularly.

3 Operating profit/(loss)

	2012	2011
	£'000	£'000
The following items have been credited/(charged) in operating profit/(loss):		
Exchange gains/(losses) on foreign currency transactions	94	(293)
Management fee	(43)	(41)

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 £31,936 (2011: £31,006).

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Notes to the financial statements for the year ended 31 December 2012

4 Interest receivable and similar income

	2012 £'000	2011 £'000
On loans with Group undertakings	431,976	418,846

5 Interest payable and similar charges

	2012 £'000	2011 £'000
Cash flow hedge recycling from equity	(418)	(194)
On US Medium Term Notes and Euro Medium Term Notes	(415,794)	(406,699)
Amortisation of bond expenses	(10,063)	(7,898)
	(426,275)	(414,791)

6 Tax on profit on ordinary activities

	2012 £'000	2011 £'000
Tax charge based on profits for the financial year	£'000	£'000
Current tax:		
UK corporation tax at 24.5% (2011: 26.5%)	1,304	853
Deferred tax:		
Origination and reversal of timing differences	99	106
Change in tax rate - impact on deferred tax	34	43
Total deferred tax	133	149
Tax on profit on ordinary activities	1,437	1,002

The tax assessed for the year is lower (2011: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2012 of 24.5% (2011: 26.5%). The differences are explained below:

	£'000	£'000
Reconciliation of current tax charge	£'000	£'000
UK statutory rate 24.5% (2011: 26.5%)	1,409	968
Effects of:		
Permanent Disallowables - interest treated as paid by ultimate parent	104,426	109,891
Permanent Deductions - Group relief received for no payment	(104,426)	(109,891)
Other timing differences	(105)	(115)
Current tax charge for the year	1,304	853

The main rate of UK corporation tax reduced from 26% to 24% with effect from 1 April 2012. Legislation to reduce further the main rate of corporation tax from 24% to 23% from 1 April 2013 was included in the Finance Act 2012. These tax changes became substantively enacted on 26 March 2012 and 3 July 2012 respectively, and hence the effect of the changes on the deferred tax balances has been included in the figures above.

The Chancellor also proposed changes to reduce further the main rate of UK corporation tax from 23% to 21% from 1 April 2014 and to 20% from 1 April 2015, on 5 December 2012 and 20 March 2013 respectively. These changes have not yet been substantively enacted and therefore are not included in the figures above.

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Notes to the financial statements for the year ended 31 December 2012

The overall effect of the further changes from 23% to 20%, if these applied to the deferred tax balance at 31 December 2012, would be to reduce the deferred tax asset by approximately £39,000.

7 Debtors

	2012 £'000	2011 £'000
Amounts due within one year		
Amounts owed by Group undertakings	159,141	2,651,088
Amounts due after more than one year		
Amounts owed by Group undertakings	9,962,999	5,619,158
Deferred tax (Note 9)	298	431
	9,963,297	5,619,589
	10,122,438	8,270,677

Amounts owed by Group undertakings include the net proceeds of bond issuances that have been advanced as loans totalling £9,952,427,000 (2011: £8,089,205,000). These are unsecured with interest charged at between 3.15% and 6.5% per annum and repayable at maturity dates between 2015 and 2045. In addition there are deposits with Group undertakings totalling £36,786,000 (2011: £45,185,000), these are unsecured, interest bearing and repayable on demand.

The remaining balance of amounts owed by Group undertakings includes both accrued Group interest receivable and an amount in relation to Group tax relief totalling £132,927,000 (2011: £135,856,000). These balances are unsecured, non-interest bearing and repayable on demand.

8 Creditors

	2012 £'000	2011 £'000
Amounts falling due within one year		
Amounts owed to Group undertakings	3,223	2,574
Corporation tax	1,304	853
Accruals and deferred income	127,336	132,129
Euro Medium Term Notes	-	2,497,767
	131,863	2,633,323
Amounts falling due after more than one year		
Euro Medium Term Notes	6,950,051	5,640,562
US Medium Term Notes	3,043,877	-
	9,993,928	5,640,562
	10,125,791	8,273,885

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.

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

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

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Notes to the financial statements for the year ended 31 December 2012

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

	2012 £'000	2011 £'000
In more than two years, but not more than five years		
0.75% US\$ US Medium Term Note 2015	611,035	-
3.875% € Euro Medium Term Note 2015	1,295,891	1,326,270
1.5% US\$ US Medium Term Note 2017	1,219,243	-
5.625% € Euro Medium Term Note 2017	1,012,282	-
	4,138,451	1,326,270
In more than five years		
5.625% € Euro Medium Term Note 2017	-	1,036,761
2.85% US\$ US Medium Term Note 2022	1,213,599	-
4.0% € Euro Medium Term Note 2025	601,958	616,363
3.375% £ Euro Medium Term Note 2027	590,041	-
5.25% £ Euro Medium Term Note 2033	982,227	981,378
6.375% £ Euro Medium Term Note 2039	694,227	694,007
5.25% £ Euro Medium Term Note 2042	986,253	985,783
4.25% £ Euro Medium Term Note 2045	787,172	-
	5,855,477	4,314,292
	9,993,928	5,640,562

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

9 Deferred tax asset

	2012 £'000	2011 £'000
Other net timing differences	298	431
	298	431
Deferred tax asset		Total £'000
At 1 January 2012		431
Charge for the year		(99)
Change in tax rate - impact on deferred tax		(34)
At 31 December 2012		298

10 Called up share capital

	2012 Number of shares	2011 Number of shares	2012 £'000	2011 £'000
Authorised				
Ordinary shares of £1 each (2011: £1 each)	100,000	100,000	100	100
Issued and fully paid				
Ordinary shares of £1 each (2011: £1 each)	100,000	100,000	100	100

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11 Reserves

	Profit and loss account £'000	Cash flow hedge reserve £'000	Total reserves £'000
At 1 January 2012	3,725	(7,029)	(3,304)
Profit for the financial year	4,315	-	4,315
Movement in cash flow hedge reserve	-	(4,462)	(4,462)
At 31 December 2012	8,040	(11,491)	(3,451)

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

	2012 £'000	2011 £'000
Profit for the financial year	4,315	2,650
Movement in cash flow hedge reserve	(4,462)	194
Net (increase)/decrease in shareholders' deficit	(147)	2,844
Opening shareholders' deficit	(3,204)	(6,048)
Closing shareholders' deficit	(3,351)	(3,204)

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 (2011: 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.

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 31 December 2012 and 31 December 2011.

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;

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- 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 US and Euro 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.

	2012		2011	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Cash at bank and in hand	2	2	4	4
Amounts owed by Group undertakings	9,989,213	9,989,213	8,134,390	8,134,390
Current asset financial instruments	9,989,215	9,989,215	8,134,394	8,134,394
£ Euro Medium Term Notes	(4,039,920)	(4,768,619)	(2,661,168)	(3,341,254)
€ Euro Medium Term Notes	(2,910,131)	(3,369,782)	(5,477,161)	(5,925,991)
US\$ US Medium Term Notes	(3,043,877)	(3,139,362)	-	-
Total borrowings	(9,993,928)	(11,277,763)	(8,138,329)	(9,267,245)
Total net debt	(4,713)	(1,288,548)	(3,935)	(1,132,851)
Other debtors *	132,927	132,927	136,287	136,287
Other creditors *	(131,863)	(131,863)	(135,556)	(135,556)
Net financial assets and liabilities	(3,649)	(1,287,484)	(3,204)	(1,132,120)
Comprising:				
Total financial assets	10,122,142	10,122,142	8,270,681	8,270,681
Total financial liabilities	(10,125,791)	(11,409,626)	(8,273,885)	(9,402,801)

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.

Currency and interest rate risk profile of financial liabilities

Total financial liabilities comprise total borrowings of £9,993,928,000 (2011: £8,138,329,000).

At 31 December 2012 Currency	Fixed rate		Total £'000
	Weighted average interest rate %	Average years for which rate is fixed	
US dollars	2.0	6	3,043,877
Sterling	5.0	25	4,039,920
Euro	5.0	5	2,910,131
Total borrowings	4.1	13	9,993,928

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Notes to the financial statements for the year ended 31 December 2012

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

Currency and interest rate risk profile of financial assets

Total financial assets comprise current asset financial instruments of £9,989,215,000 (2011: £8,134,394,000).

At 31 December 2012 Currency	Fixed rate £'000	Floating rate £'000	Total £'000
US dollars	3,041,828	3,693	3,045,521
Sterling	4,034,594	-	4,034,594
Euro	2,886,577	22,523	2,909,100
Total current asset financial instruments	9,962,999	26,216	9,989,215

At 31 December 2011 Currency	Fixed rate £'000	Floating rate £'000	Total £'000
US dollars	-	4	4
Sterling	2,660,417	-	2,660,417
Euro	5,442,829	31,144	5,473,973
Total current asset financial instruments	8,103,246	31,148	8,134,394

Currency exposure of net monetary assets/(liabilities)

Net monetary assets/(liabilities) held in foreign currency	2012	2011
	£'000	£'000
US dollars	1,644	4
Euro	(1,031)	(3,188)
	613	(3,184)

Maturity of financial liabilities	Total	Total
	2012	2011
	£'000	£'000
In one year or less, or on demand	-	(2,497,767)
In more than two years, but not more than five years	(4,138,451)	(1,326,270)
In more than five years	(5,855,477)	(4,314,292)
	(9,993,928)	(8,138,329)

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

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Notes to the financial statements for the year ended 31 December 2012

14 Reconciliation of operating profit/(loss) to net cash outflow from operating activities

	2012 £'000	2011 £'000
Operating profit/(loss)	51	(403)
Exchange movements	(94)	293
Movements in working capital:		
(Increase) in debtors	(1,215)	-
Increase in creditors	162	108
Net cash outflow from operating activities	(1,096)	(2)

15 Movements in net debt

	At 1 Jan 2012 £'000	Cash flows £'000	Amorti- sation £'000	Exchange movements £'000	At 31 Dec 2012 £'000
Cash at bank and in hand	4	(2)	-	-	2
Amounts owed by group companies	8,134,390	2,013,385	-	(158,562)	9,989,213
Current asset financial instruments	8,134,394	2,013,383	-	(158,562)	9,989,215
Sterling notes and bonds	(2,661,168)	(1,377,126)	(1,626)	-	(4,039,920)
Euro notes and bonds	(5,477,161)	2,425,571	(5,583)	147,042	(2,910,131)
US Dollar notes and bonds	-	(3,052,637)	(2,854)	11,614	(3,043,877)
Total borrowings	(8,138,329)	(2,004,192)	(10,063)	158,656	(9,993,928)
Total net debt (Note 13)	(3,935)	9,191	(10,063)	94	(4,713)

	At 1 Jan 2011 £'000	Cash flows £'000	Amorti- sation £'000	Exchange movements £'000	At 31 Dec 2011 £'000
Cash at bank and in hand	4	-	-	-	4
Amounts owed by group companies	8,262,755	12,203	-	(140,568)	8,134,390
Current asset financial instruments	8,262,759	12,203	-	(140,568)	8,134,394
Sterling notes and bonds	(2,659,627)	-	(1,541)	-	(2,661,168)
Euro notes and bonds	(5,611,081)	-	(6,355)	140,275	(5,477,161)
Total borrowings	(8,270,708)	-	(7,896)	140,275	(8,138,329)
Total net debt (Note 13)	(7,949)	12,203	(7,896)	(293)	(3,935)

16 Employees

All employees are remunerated by GlaxoSmithKline Services Unlimited and receive no remuneration from the Company. A management fee is charged by GlaxoSmithKline Services Unlimited for services provided to the Company (see Note 3).

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Notes to the financial statements for the year ended 31 December 2012

17 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 (2011: £nil). Corporate Directors received no remuneration during the year, either as executives of the Group or in respect of their services to the Company (2011: £nil).

18 Contingent liabilities

Group banking arrangement

The Company, together with fellow Group undertakings has entered into a Group banking arrangement with the Company's principal bank. The bank holds the right to pay and apply funds from any account of the Company to settle any indebtedness to the bank of any other party to this agreement. The Company's maximum potential liability as at 31 December 2012 is limited to the amount held on its accounts with the bank. No loss is expected to accrue to the Company from the agreement.

19 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.

20 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.