

GlaxoSmithKline Capital plc
(Registered number: 2258699)

Interim Management Report

for the half year ended 30 June 2018

Registered office address:

980 Great West Road

Brentford

Middlesex

TW8 9GS

GlaxoSmithKline Capital plc
(Registered number: 2258699)

Interim Management Report

for the half year ended 30 June 2018

Contents	Pages
Interim report	1-2
Income statement	3
Statement of comprehensive income	4
Statement of financial position	5
Statement of changes in equity	6
Cash flow statement	7
Notes to the financial statements	8-12

GlaxoSmithKline Capital plc
(Registered number: 2258699)

Results announcement and interim management report for the half year ended 30 June 2018

Performance

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

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

Review of business

The Company made a profit for the half year ended 30 June 2018 of £16,814,000 (2017: £4,055,000), 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 2018 (2017: £nil).

At 30 June 2018, the Company had in issue £11,224,361,000 European Medium Term Notes and £3,016,815,000 US Medium Term Notes (31 December 2017: £9,026,788,000 and £1,473,973,000, respectively), which mature at dates between 2019 and 2045. All notes currently in issue pay interest on a fixed rate basis, with the exception of the €750 million (£656 million) 2020 European Medium Term Note and \$750 million (£554 million) 2021 US Medium Term Note which are on a floating 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 statutory entity level. For this reason, the Company's Directors believe that a discussion of the Group's risks would not be appropriate for an understanding of the development, performance or position of the Company's business. The principal risks and uncertainties of the Group, which include those of the Company, are discussed in the Group's 2017 Annual Report which does not form part of this report.

Details of the Company's financial risk management is also disclosed in the Company's Annual Report for the year ended 31 December 2017.

Directors' responsibility statement

The Board of Directors approved this document on 24 July 2018.

The Directors confirm that to the best of their knowledge this unaudited condensed financial information for the six months ended 30 June 2018 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.

The Directors of the Company are:

Mr S Dingemans
Edinburgh Pharmaceutical Industries Limited
Glaxo Group Limited

GlaxoSmithKline Capital plc
(Registered number: 2258699)

Results announcement and interim management report for the half year ended 30 June 2018

By order of the Board

Mr A Walker
For and on behalf of Glaxo Group Limited
Corporate Director
24 July 2018

Internet

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

GlaxoSmithKline Capital plc

Income statement for the half year ended 30 June 2018

	Note	Period ended 30 June 2018 £'000	Period ended 30 June 2017 £'000
Other operating income / (expense)		214	(511)
Finance income	3	172,296	196,552
Finance expense	4	(151,712)	(191,019)
Operating profit	2	20,798	5,022
Profit before taxation		20,798	5,022
Tax on profit	5	(3,984)	(967)
Profit for the financial period		16,814	4,055

GlaxoSmithKline Capital plc

Statement of comprehensive income for the half year ended 30 June 2018

	Period ended 30 June 2018 £'000	Period ended 30 June 2017 £'000
Profit for the financial period	16,814	4,055
Items that may be subsequently reclassified to the income statement:		
Fair value movements on cash flow hedges	1,288	-
Reclassification of cash flow hedges to the income statement	731	477
Deferred tax on cash flow hedges	(124)	(81)
Other comprehensive income for the financial period	1,895	396
Total comprehensive income for the financial period	18,709	4,451

GlaxoSmithKline Capital plc

Statement of financial position As at 30 June 2018

	Note	30 June 2018 £'000	31 December 2017 £'000
Non-current assets			
Deferred tax assets		2,249	2,373
Loans and receivables	6	14,181,660	10,434,878
Total non-current assets		14,183,909	10,437,251
Current assets			
Loans and receivables	6	107,785	101,855
Prepayments and accrued income	7	104,516	107,833
Cash and cash equivalents		1	1
Total current assets		212,302	209,689
Total assets		14,396,211	10,646,940
Current liabilities			
Other payables	8	(5,966)	(4,864)
Accruals and deferred income	10	(92,725)	(103,680)
Total current liabilities		(98,691)	(108,544)
Net current assets		113,611	101,145
Total assets less current liabilities		14,297,520	110,538,396
Non-current liabilities			
Long-term borrowings	9	(14,241,176)	(10,500,761)
Total non-current liabilities		(14,241,176)	(10,500,761)
Total liabilities		(14,339,867)	(10,609,305)
Net assets		56,344	37,635
Equity			
Called up share capital	13	100	100
Other reserves		(9,693)	(11,588)
Retained earnings		65,937	49,123
Total equity		56,344	37,635

GlaxoSmithKline Capital plc

Statement of changes in equity for the half year ended 30 June 2018

	Called up share capital £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 January 2017	100	(9,243)	40,805	31,662
Profit for the financial period	-	-	4,055	4,055
Other comprehensive income for the financial period	-	396	-	396
At 30 June 2017	100	(8,847)	44,860	36,113

	Called up share capital £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 January 2018	100	(11,588)	49,123	37,635
Profit for the financial period	-	-	16,814	16,814
Other comprehensive income for the financial period	-	1,895	-	1,895
At 30 June 2018	100	(9,693)	65,937	56,344

GlaxoSmithKline Capital plc

Cash flow statement for the half year ended 30 June 2018

	Note	Period ended 30 June 2018 £'000	Period ended 30 June 2017 £'000
Cash flows from operating activities			
Operating profit		20,798	5,022
Adjustments reconciling operating profit to operating cash flows	12	(20,852)	(312)
Net cash (outflow) / inflow from operating activities		(54)	4,710
Cash flows from financing activities			
Proceeds from borrowings		3,650,522	-
Repayment of borrowings		-	(1,543,721)
Loans provided to Group undertakings		(3,648,326)	-
Loan repayments received from Group undertakings		-	1,532,776
(Increase) / decrease in current accounts with Group undertakings		(2,142)	6,235
Net cash inflow / (outflow) from financing activities		54	(4,710)
Net movement in cash in the period		-	-
Cash at beginning of period		1	2
Movement in cash		-	-
Cash at end of period		1	2

GlaxoSmithKline Capital plc

Notes to the financial statements for the half year ended 30 June 2018

1 Accounting presentation and policies

This unaudited Results Announcement containing condensed financial information for the six months ended 30 June 2018 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 Operating profit

	Period ended 30 June 2018 £'000	Period ended 30 June 2017 £'000
The following items have been credited / (charged) in operating profit:		
Exchange gains on foreign currency transactions	214	(511)

3 Finance income

	Period ended 30 June 2018 £'000	Period ended 30 June 2017 £'000
Interest income arising from loans with Group undertakings	172,296	196,552

4 Finance expense

	Period ended 30 June 2018 £'000	Period ended 30 June 2017 £'000
Interest expense arising on financial liabilities at amortised cost	(150,981)	(190,542)
Reclassification of cash flow hedge from other comprehensive income	(731)	(477)
Total finance expense	(151,712)	(191,019)

5 Tax on profit

	Period ended 30 June 2018 £'000	Period ended 30 June 2017 £'000
Income tax expense on ordinary activities		
Current tax:		
UK corporation tax at 19.25% (2017: 19.25%)	(3,984)	(967)
Total current tax	(3,984)	(967)

6 Loans and receivables

	30 June 2018 £'000	31 December 2017 £'000
Amounts due within one year		
Amounts owed by Group undertakings - current accounts	107,785	101,855
	107,785	101,855

GlaxoSmithKline Capital plc

Notes to the financial statements for the half year ended 30 June 2018

6 Loans and receivables (continued)

	30 June 2018 £'000	31 December 2017 £'000
Amounts due after more than one year		
Amounts owed by Group undertakings - loans	14,181,660	10,434,878
	14,181,660	10,434,878
	14,289,445	10,536,733

Amounts due within one year are call accounts with Group undertakings of £47,840,000 (2017: £45,025,000) which are unsecured, repayable on demand and earn a market rate of interest (based on 1 week LIBOR minus 0.125%) that is consistent with the Group's policy and includes deposits with Group undertakings of £59,945,000 (2017: £56,830,000) which are unsecured, repayable on demand and earn a market rate of interest (based on LIBOR minus 0.125%) that is consistent with the Group's policy.

Amounts due after more than one year are the net proceeds of bond issuances that have been advanced as loans to Group undertakings, which are unsecured with fixed interest charged between 0.21% and 6.50% per annum and floating interest charged between LIBOR plus 20bps to 56bps and repayable at maturity dates between 2019 and 2045.

7 Prepayments and accrued income

	30 June 2018 £'000	31 December 2017 £'000
Amounts due within one year	104,516	107,833

Accrued income relates to interest on amounts owed by Group undertakings (see Note 6).

8 Other payables

	30 June 2018 £'000	31 December 2017 £'000
Amounts falling due within one year		
Amounts owed to Group undertakings	-	(2,881)
Corporation tax	(5,966)	(1,983)
	(5,966)	(4,864)

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 under Group relief.

GlaxoSmithKline Capital plc

Notes to the financial statements for the half year ended 30 June 2018

9 Borrowings

	30 June 2018 £'000	31 December 2017 £'000
Amounts falling due within one year		
Loans payable:		
€ European Medium Term Notes	(7,181,696)	(4,973,782)
£ European Medium Term Notes	(4,042,665)	(4,053,006)
US\$ Medium Term Notes	(3,016,815)	(1,473,973)
	(14,241,176)	(10,500,761)
Maturity of borrowings		
	30 June 2018 £'000	31 December 2017 £'000
In more than one year, but not more than two years		
0.625% € European Medium Term Note 2019	(1,324,563)	(1,323,623)
LIBOR + 20bps € European Medium Term Note 2020	(665,819)	-
	(1,990,382)	(1,323,623)
In more than two years, but not more than five years		
0.000% € European Medium Term Note 2020	(1,059,826)	(1,059,379)
LIBOR + 35bps US\$ US Medium Term Note 2021	(566,821)	-
3.125% US\$ Medium Term Note 2021	(942,252)	-
2.850% US\$ Medium Term Note 2022	(1,507,742)	(1,473,973)
	(4,076,641)	(2,533,352)
In more than five years		
1.375% € European Medium Term Note 2024	(876,527)	(876,117)
4.000% € European Medium Term Note 2025	(657,660)	(658,647)
1.000% € European Medium Term Note 2026	(617,292)	(617,178)
1.350% € European Medium Term Note 2026	(880,423)	-
3.375% £ European Medium Term Note 2027	(593,037)	(593,400)
1.375% € European Medium Term Note 2029	(438,964)	(438,838)
1.750% € European Medium Term Note 2030	(660,623)	-
5.250% £ European Medium Term Note 2033	(981,316)	(986,476)
6.375% £ European Medium Term Note 2039	(693,911)	(695,330)
5.250% £ European Medium Term Note 2042	(986,065)	(988,603)
4.250% £ European Medium Term Note 2045	(788,335)	(789,197)
	(8,174,153)	(6,643,786)
Total borrowings	(14,241,176)	(10,500,761)

10 Accruals and deferred income

	30 June 2018 £'000	31 December 2017 £'000
Amounts falling due within one year	(92,725)	(103,680)

Accruals relates to interest payable on borrowings (see Note 9).

GlaxoSmithKline Capital plc

Notes to the financial statements for the half year ended 30 June 2018

11 Fair value of financial assets and liabilities

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

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

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

The carrying amounts and the fair values of the Company's financial assets and liabilities at 30 June 2018 and 31 December 2017 are illustrated below.

	30 June 2018		31 December 2017	
	Carrying value £'000	Fair value £'000	Carrying value £'000	Fair value £'000
Cash and cash equivalents	1	1	1	1
Loans and receivables:				
Other receivables	104,516	104,516	107,833	107,833
Amounts owed by Group undertakings – current accounts	107,785	107,785	101,855	101,855
Amounts owed by Group undertakings - loans	14,181,660	15,891,483	10,434,878	12,413,202
Total financial assets	14,393,962	16,103,785	10,644,567	12,622,891
Financial liabilities measured at amortised cost:				
£ European Medium Term Notes	(4,042,665)	(5,427,306)	(4,053,006)	(5,688,556)
€ European Medium Term Notes	(7,181,696)	(7,454,757)	(4,973,782)	(5,221,979)
US\$ US Medium Term Notes	(3,016,815)	(3,009,420)	(1,473,973)	(1,502,667)
	(14,241,176)	(15,891,483)	(10,500,761)	(12,413,202)
Other payables	(92,725)	(92,725)	(106,561)	(106,561)
Total financial liabilities	(14,333,901)	(15,984,208)	(10,607,322)	(12,519,763)
Net financial assets and liabilities	60,061	119,577	37,245	103,128

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

Financial liabilities measured at amortised cost for which the fair value of £15,891,483,000 (31 December 2017: £12,413,202,000) as disclosed in the table above are categorised as Level 1, where quoted prices in active markets are used. Similarly, amounts owed by Group undertakings, which include the net proceeds of bond issuances advanced as loans, also approximate to the fair value of these financial liabilities. All other assets and liabilities are approximate to the carrying amount.

GlaxoSmithKline Capital plc

Notes to the financial statements for the half year ended 30 June 2018

12 Adjustments reconciling operating profit to operating cash flows

	Period ended 30 June 2018 £'000	Period ended 30 June 2017 £'000
Operating profit	20,798	5,022
Adjustments:		
Decrease / (increase) in other receivables	3,317	(6,441)
(Decrease) in other payables	(13,836)	(199)
Exchange adjustments	(3,565)	511
Amortisation of bond costs	(8,787)	5,340
Fair value movements on cash flow hedges	1,288	-
Reclassification of cash flow hedges to the income statement	731	477
	(22,852)	(312)
Net cash (outflow) / inflow from operating activities	(54)	4,710

13 Called up share capital

	30 June 2018 Number of shares	31 December 2017 Number of shares	30 June 2018 £'000	31 December 2017 £'000
Authorised				
Ordinary shares of £1 each (31 December 2017: £1 each)	100,000	100,000	100	100
Issued and fully paid				
Ordinary shares of £1 each (31 December 2017: £1 each)	100,000	100,000	100	100

14 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.