GlaxoSmithKline Capital plc
(Registered number: 2258699)

Directors' report and financial statements

for the year ended 31 December 2014

Registered office address:
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GlaxoSmithKline Capital plc

Directors' report and financial statements

for the year ended 31 December 2014

GlaxoSmithKline Capital plc
Registered number: (2258699)

Strategic report for the year ended 31 December 2014

The Directors submit their strategic report for the year ended 31 December 2014.

Principal activities

GlaxoSmithKline Capital plc (the "Company"), a member of GlaxoSmithKline Group (the "Group"), issues US and Euro Medium Term Notes and provides financing and financial services to fellow members of 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 £6,734,000 (2013: £5,985,000). 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 £6,734,000 will be transferred to reserves (2013: profit for the year of £5,985,000 transferred to reserves).

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

On 2 December 2014, two new bonds were issued under the European Medium Term Note programme. The two bonds were a €1,500,000,000 (£1,190,270,255), 0.6250% coupon bond maturing in December 2019 and a €1,000,000,000 (£793,513,503), 1.3750% coupon bond maturing in December 2024. The net proceeds of the issues after discount and fees were €2,474,325,000 (£1,963,414,299).

As of 31 December, two bonds issued under the Company's Euro Medium Term Note ("EMTN") programme were classified as due within one year in the Company balance sheet; they were a €1,600,000,000 bond (carrying value of £1,239,371,576), with interest fixed at 3.875% for maturity July 2015 and a $1,000,000,000 bond (carrying value of £640,660,915), with a 0.75% coupon bond maturing in May 2015.

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 2014 Annual Report which does not form part of this report.

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 2014 Annual Report which does not form part of this report.

By order of the Board

P Blackburn
For and on behalf of Glaxo Group Limited
Corporate Director
29 April 2015

GlaxoSmithKline Capital plc
Registered number: (2258699)

Directors' report for the year ended 31 December 2014

The Directors submit their report and the audited financial statements for the year ended 31 December 2014.

Internal Controls and Risk Management Systems

Risk management is an important factor in the long-term success of the Group. Sound risk management to address inherent risks help protect and maintain focus on the fundamentals.

The Group's aim is to identify, assess and manage risk at all levels of the organisation. Employees are expected to take accountability for identifying and escalating encountered risks so they can be appropriately managed. This approach allows the Company to take a balanced view on the type of risk exposure whilst enabling the Company to pursue its strategic objectives. This is further explained in the Group's 2014 Annual report that does not form part of this report.

Share Capital Structure

The Company's share capital structure consists of fully paid up ordinary shares as detailed in Note 10.

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 2014 (2013: £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.

	Ordinary Shares			
Name	**At 31.12.13**	**Acquired**	**Disposed**	**At 31.12.14**
S P Dingemans	40,604	93,045	(42,698)	90,951

Share options	**At 31.12.13**	**Granted**	**Dividends reinvested**	**At 31.12.14**
S P Dingemans	526	238	-	764

Performance Share Plan awards	**At 31.12.13**	**Granted**	**Dividends reinvested**	**At 31.12.14**
S P Dingemans	611,302	205,002	(228,254)	588,050

Directors' report for the year ended 31 December 2014

Deferred Annual Bonus Plan	At 31.12.13	Granted	Dividends reinvested	At 31.12.14
S P Dingemans	88,536	43,978	-	132,514

All share awards are over Ordinary shares of GlaxoSmithKline plc.

The details of the above-mentioned Plans are disclosed in the 2014 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 Strategic Report, 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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.

Future developments

Disclosure of expected future developments of the business has been included in the strategic report on page 1.

Directors' report for the year ended 31 December 2014

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.

On behalf of the Board

P Blackburn
For and on behalf of Glaxo Group Limited
Corporate Director
29 April 2015

GlaxoSmithKline Capital plc

Independent auditors' report to the members of GlaxoSmithKline Capital plc

Report on the financial statements

Our opinion

In our opinion, GlaxoSmithKline Capital plc's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

GlaxoSmithKline Capital plc's financial statements comprise:

- the Balance sheet as at 31 December 2014;
- the Profit and loss account and Statement of total recognised gains and losses for the year then ended;
- the Cash flow statement for year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matters prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Directors' report, 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) ("ISAs (UK & 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Directors' report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

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
29 April 2015

(a) The maintenance and integrity of the GlaxoSmithKline Capital plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

GlaxoSmithKline Capital plc

Profit and loss account
for the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Operating profit/(loss)	3	**683**	(656)
Interest receivable and similar income	4	**408,331**	422,225
Interest payable and similar charges	5	**(400,444)**	(413,739)
Net interest receivable		**7,887**	8,486
Profit on ordinary activities before taxation		**8,570**	7,830
Tax on profit on ordinary activities	6	**(1,836)**	(1,845)
Profit for the financial year	11	**6,734**	5,985

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

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

GlaxoSmithKline Capital plc

Statement of total recognised gains and losses for the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Profit for the financial year		**6,734**	5,985
Fair value loss on cash flow hedges	11	**(2,775)**	-
Cash flow hedge reserve recycled to profit and loss account	11	**626**	596
Deferred tax effect of cash flow hedges	11	**2,609**	-
Total recognised gains and losses relating to the year		**7,194**	6,581

GlaxoSmithKline Capital plc

Balance Sheet
As at 31 December 2014

	Notes	2014 £'000	2013 £'000
Current assets			
Debtors: amounts falling due after more than one year	7	**10,008,530**	9,981,921
Debtors: amounts falling due within one year	7	**2,066,389**	172,863
Debtors	7	**12,074,919**	10,154,784
Cash at bank and in hand		**3**	4
		12,074,922	10,154,788
Creditors: amounts falling due within one year	8	**(2,010,305)**	(129,478)
Net current assets		**10,064,617**	10,025,310
Creditors: amounts falling due after more than one year	8	**(10,054,193)**	(10,022,080)
Net assets		**10,424**	3,230
Capital and reserves			
Called up share capital	10	**100**	100
Profit and loss account	11	**20,759**	14,025
Cash flow hedge reserve	11	**(10,435)**	(10,895)
Total shareholders' funds	12	**10,424**	3,230

The financial statements on pages 7 to 21 were approved by the Board of Directors on 29 April 2015 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 financial years ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Net cash inflow/(outflow) from operating activities	14	**886**	(4,297)
Returns on investments and servicing of finance			
Interest paid		**(390,221)**	(402,064)
Interest received		**408,832**	421,392
Fair value loss on cash flow hedges		**(2,775)**	-
Net cash inflow from returns on investments and servicing of finance		**15,836**	19,328
Financing			
Long-term loans issued		**1,963,410**	-
New long-term loans with Group undertakings		**(1,963,410)**	-
Decrease in loans with Group undertakings		**(16,723)**	(15,029)
Net cash outflow from financing		**(16,723)**	(15,029)
(Decrease)/increase in cash in the year		**(1)**	2

Reconciliation of net cash flow to movement in net debt

	Notes	2014 £'000	2013 £'000
(Decrease)/increase in cash in the year		**(1)**	2
Cash outflow from amounts owed by Group undertakings	15	**1,980,133**	15,029
Cash inflow from loans issued	15	**(1,963,410)**	-
Changes in net debt resulting from cash flows		**16,722**	15,031
Foreign currency translation differences	15	**487**	(612)
Amortisation of bond issue costs	15	**(10,549)**	(10,406)
Movement in net debt for the year		**6,660**	4,013
Net debt as at 1 January		**(700)**	(4,713)
Net debt as at 31 December		**5,960**	(700)

Notes to the financial statements for the year ended 31 December 2014

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 under the historical cost convention, the accounting policies set out below, which have been applied consistently, throughout the year, 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 as recoverable and therefore only recognised when, on the basis of all available evidence, it can be regarded as more likely than not that 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.

(i) 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 treasury locks. 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 (being the revaluation to rates of exchange ruling at the balance sheet date). Fair value movements are recognised in the profit and loss account.

(j) Cash flow hedge accounting

Changes in the fair value of derivatives designated as cash flow hedges are recognised in other comprehensive income to the extent that the hedges are effective. Ineffective portions are recognised in profit or loss immediately. Amounts deferred in other comprehensive income are reclassified to the income statement when the hedged item affects profit or loss.

2 Treasury policies

Corporate Treasury policies noted below are those operated by the Company.

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 9 July 2014. 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 2014, £8.9 billion of notes were in issue under this programme. The Group also has a US shelf registration statement and at 31 December 2014, had a $14.0 billion (£9.0 billion) of notes were in issue under this programme. The Company is an issuer under both these programmes. The Group's long-term borrowings mature at dates between 2016 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.

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 2014, £nil (31 December 2013: £nil) of the Company's net borrowings were exposed to floating interest rates.

(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)

	2014 £'000	2013 £'000
The following items have been (charged)/credited in operating profit/(loss):		
Exchange gains/(losses) on foreign currency transactions	**736**	(612)
Management fee	**(53)**	(44)
	683	668

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 £33,881 (2013: £32,894).

4 Interest receivable and similar income

	2014 £'000	2013 £'000
On loans with Group undertakings	**408,331**	422,225

5 Interest payable and similar charges

	2014 £'000	2013 £'000
Cash flow hedge recycling from reserves	**(626)**	(596)
On US Medium Term Notes and Euro Medium Term Notes	**(389,269)**	(402,858)
Amortisation of bond expenses	**(10,549)**	(10,285)
	(400,444)	(413,739)

6 Reconciliation of current tax charge

Reconciliation of current tax charge	2014 £'000	2013 £'000
Current tax:		
UK corporation tax at 21.50% (2013: 23.25%)	**1,750**	1,720
Total current tax	**1,750**	1,720
Deferred tax:		
Origination and reversal of timing differences	**86**	86
Change in tax rate - impact on deferred tax	**-**	39
Total deferred tax charge	**86**	125
Tax charge on profit on ordinary activities	**1,836**	1,845

The tax assessed for the year is lower (2013: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2014 of 21.50% (2013: 23.25%). The differences are explained on the next page:

Reconciliation of current tax charge	£'000	£'000
Profit on ordinary activities at the UK statutory rate 21.50% (2013: 23.25%)	**1,842**	1,820
Effects of:		
Permanent Disallowables - interest treated as paid by ultimate parent	**86,011**	96,150
Permanent Deductions - Group relief received for no payment	**(86,011)**	(96,150)
Other timing differences	**(92)**	(100)
Current tax charge for the year	**1,750**	1,720

Factors that may affect future tax charges:
Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and to 20% (effective 1 April 2015) were substantively enacted as part of the Finance Act 2013 on 2 July 2013. This will reduce the company's future tax charge accordingly. The deferred taxes have been calculated based on the rate of 20% (2013: 20%) which has been substantively enacted at the balance sheet date.

7 Debtors

	2014 £'000	2013 £'000
Amounts due within one year		
Amounts owed by Group undertakings - loans	**1,934,347**	39,628
Amounts owed by Group undertakings – current account	**132,042**	133,235
Amounts owed by Group undertakings	**2,066,389**	172,863
Amounts due after more than one year		
Amounts owed by Group undertakings	**10,005,834**	9,981,748
Deferred tax (Note 9)	**2,696**	173
	10,008,530	9,981,921
	12,074,919	10,154,784

Amounts owed by Group undertakings include the net proceeds of bond issuances that have been advanced as loans totalling £11,872,675,000 (2013: £9,969,618,000), which are unsecured with interest charged at between 1.05% and 6.5% per annum and repayable at maturity dates between 2015 and 2045. In addition there are deposits with Group undertakings totalling £67,505,000 (2013: £51,760,000), which 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 £132,042,000 (2013: £133,233,000). These balances are unsecured, non-interest bearing and repayable on demand.

8 Creditors

	2014 £'000	2013 £'000
Amounts falling due within one year		
Amounts owed to Group undertakings	**1,764**	44
Corporation tax	**1,750**	1,720
Accruals and deferred income	**126,759**	127,714
US Medium Term Notes	**640,661**	-
Euro Medium Term Notes	**1,239,371**	-
	2,010,305	129,478

Amounts falling due after more than one year		
Euro Medium Term Notes	**7,505,448**	7,029,011
US Medium Term Notes	**2,548,745**	2,993,069
	10,054,193	10,022,080
	12,064,498	10,151,558

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.

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

	2014 £'000	2013 £'000
In more than one year, but not more than two years		
0.75% US$ US Medium Term Note 2015	-	601,028
3.875% € Euro Medium Term Note 2015	-	1,330,306
	-	1,931,334
In more than two years, but not more than five years		
1.5% US$ US Medium Term Note 2017	**1,277,690**	1,198,965
5.625% € Euro Medium Term Note 2017	**966,743**	1,038,419
0.6250% € Euro Medium Term Note 2019	**1,154,227**	-
	3,398,660	2,237,384
In more than five years		
2.85% US$ US Medium Term Note 2022	**1,271,056**	1,193,076
1.3750% € Euro Medium Term Note 2024	**764,093**	-
4.0% € Euro Medium Term Note 2025	**575,157**	617,651
3.375% £ Euro Medium Term Note 2027	**591,403**	590,738
5.25% £ Euro Medium Term Note 2033	**983,927**	983,077
6.375% £ Euro Medium Term Note 2039	**694,668**	694,448
5.25% £ Euro Medium Term Note 2042	**987,193**	986,723
4.25% £ Euro Medium Term Note 2045	**788,036**	787,649
	6,655,533	5,853,362
	10,054,193	10,022,080

The loans due after 5 years are repayable at their stated maturity.

9 Deferred tax asset

	2014 £'000	2013 £'000
Net timing differences	**2,696**	173
	2,696	173

Deferred tax asset	Total £'000
At 1 January 2014	**173**
Charge for the year	**(86)**
Deferred tax credit in the statement of recognised gains and losses	**2,609**
At 31 December 2014	**2,696**

10 Called up share capital

	2014 Number of shares	2013 Number of shares	2014 £'000	2013 £'000
Authorised				
Ordinary shares of £1 each (2013: £1 each)	**100,000**	100,000	**100**	100
Issued and fully paid				
Ordinary shares of £1 each (2013: £1 each)	**100,000**	100,000	**100**	100

11 Reserves

	Profit and loss account £'000	Cash flow hedge reserve £'000	Total reserves £'000
At 1 January 2014	14,025	(10,895)	**3,130**
Profit for the financial year	6,734	-	**6,734**
Fair value loss on cash flow hedges	-	(2,775)	**(2,775)**
Cash flow hedge reserve recycled to profit and loss account	-	626	**626**
Deferred tax effect of cash flow hedges	-	2,609	**2,609**
At 31 December 2014	20,759	(10,435)	**10,324**

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' funds

	2014 £'000	2013 £'000
Profit for the financial year	**6,734**	5,985
Movement in cash flow hedge reserve	**460**	596
Net increase in shareholders' funds	**7,194**	6,581
Opening shareholders' funds/(deficit)	**3,230**	(3,351)
Closing shareholders' funds	**10,424**	3,230

13 Financial instruments and related disclosures

Policies

Treasury policies are detailed in Note 2.

GlaxoSmithKline Capital plc

Notes to the financial statements for the year ended 31 December 2014

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 2014 and 31 December 2013.

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

- Cash at bank – approximates to the carrying amount;
- Short-term loans and overdrafts – approximates to the carrying amount because of the short maturity of these instruments;
- Medium-term loans – market value based on quoted market prices in the case of 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; and
- Debtors and creditors – approximates to the carrying amount.

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

	2014		2013	
	Carrying amount £'000	**Fair value £'000**	Carrying amount £'000	Fair value £'000
Cash at bank and in hand	**3**	**3**	4	4
Amounts owed by Group undertakings	**11,940,182**	**11,940,182**	10,021,376	10,021,376
Current asset financial instruments	**11,940,185**	**11,940,185**	10,021,380	10,021,380
£ Euro Medium Term Notes	**(4,045,227)**	**(5,098,993)**	(4,042,635)	(4,471,779)
€ Euro Medium Term Notes	**(4,699,591)**	**(5,088,214)**	(2,986,376)	(3,305,460)
US$ US Medium Term Notes	**(3,189,407)**	**(3,199,314)**	(2,993,069)	(2,971,831)
Total borrowings	**(11,934,225)**	**(13,386,521)**	(10,022,080)	(10,749,070)
Total net debt	**5,960**	**(1,446,336)**	(700)	(727,690)
Other debtors *	**132,042**	**132,042**	133,235	133,235
Other creditors *	**(130,273)**	**(130,273)**	(129,478)	(129,478)
Net financial assets and liabilities	**7,729**	**(1,444,567)**	3,057	(723,933)
Comprising:				
Total financial assets	**12,072,227**	**12,072,227**	10,154,615	10,154,615
Total financial liabilities	**(12,064,498)**	**(13,516,794)**	(10,151,558)	(10,878,548)

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.

Notes to the financial statements for the year ended 31 December 2014

Currency and interest rate risk profile of financial liabilities

Total financial liabilities include total borrowings of £11,934,225,000 (2013: £10,022,080,000).

	Fixed rate		
At 31 December 2014 **Currency**	Weighted average interest rate %	Average years for which rate is fixed	**Total** **£'000**
US dollars	2.0	4	**3,189,407**
Sterling	5.0	23	**4,045,227**
Euro	3.0	5	**4,699,591**
Total borrowings	3.4	11	**11,934,225**

	Fixed rate		
At 31 December 2013 **Currency**	Weighted average interest rate %	Average years for which rate is fixed	Total £'000
US dollars	2.0	5	2,993,069
Sterling	5.0	24	4,042,635
Euro	5.0	4	2,986,376
Total borrowings	4.1	12	10,022,080

Currency and interest rate risk profile of financial assets

Total financial assets excluding cash and other debtors amount to £11,940,182,000 (2013: £10,021,376,000).

At 31 December 2014 **Currency**	Fixed rate £'000	Floating rate £'000	**Total** **£'000**
US dollars	3,178,341	19,424	**3,197,765**
Sterling	4,040,106	-	**4,040,106**
Euro	4,670,398	31,913	**4,702,311**
Total current asset financial instruments	11,888,845	51,337	**11,940,182**

At 31 December 2013 **Currency**	Fixed rate £'000	Floating rate £'000	Total £'000
US dollars	2,986,855	10,931	2,997,786
Sterling	4,036,172	-	4,036,172
Euro	2,958,741	28,677	2,987,418
Total current asset financial instruments	9,981,768	39,608	10,021,376

Currency exposure of net monetary assets/(liabilities)

Net monetary assets/(liabilities) held in foreign currency	2014 £'000	2013 £'000
US dollars	**8,358**	4,717
Euro	**2,720**	1,042
	11,078	5,759

Maturity of financial liabilities	Total 2014 £'000	Total 2013 £'000
In more than one year, but not more than two years	-	(1,931,334)
In more than two years, but not more than five years	**(3,398,660)**	(2,237,384)
In more than five years	**(6,655,533)**	(5,853,362)
	(10,054,193)	(10,022,080)

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

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

	2014 £'000	2013 £'000
Operating profit/(loss)	**683**	(656)
Exchange movements	**(487)**	612
Movements in working capital:		
Decrease in debtors	**690**	525
Decrease in creditors	**-**	(4,778)
Net cash outflow from operating activities	**886**	(4,297)

15 Analysis of changes in net debt

As at 31 December 2014	At 1 Jan 2014 £'000	Cash flows £'000	Amortisation £'000	Exchange movements £'000	**At 31 Dec 2014 £'000**
Cash at bank and in hand	4	(1)	-	-	**3**
Amounts owed by group companies	10,021,376	1,980,133	-	(61,327)	**11,940,182**
Current asset financial instruments	10,021,380	1,980,132	-	(61,327)	**11,940,185**
Sterling notes and bonds	(4,042,635)	-	(2,592)	-	**(4,045,227)**
Euro notes and bonds	(2,986,376)	(1,963,410)	(3,484)	253,679	**(4,699,591)**
US Dollar notes and bonds	(2,993,069)	-	(4,473)	(191,865)	**(3,189,407)**
Total borrowings	(10,022,080)	(1,963,410)	(10,549)	61,814	**(11,934,225)**
Total net debt (Note 13)	(700)	16,722	(10,549)	487	**5,960**

Notes to the financial statements for the year ended 31 December 2014

As at 31 December 2013	At 1 Jan 2013 £'000	Cash flows £'000	Amortisation £'000	Exchange movements £'000	At 31 Dec 2013 £'000
Cash at bank and in hand	2	2	-	-	4
Amounts owed by group companies	9,989,213	15,029	-	17,134	10,021,376
Current asset financial instruments	9,989,215	15,031	-	17,134	10,021,380
Sterling notes and bonds	(4,039,920)	-	(2,715)	-	(4,042,635)
Euro notes and bonds	(2,910,131)	-	(3,490)	(72,755)	(2,986,376)
US Dollar notes and bonds	(3,043,877)	-	(4,201)	55,009	(2,993,069)
Total borrowings	(9,993,928)	-	(10,406)	(17,746)	(10,022,080)
Total net debt (Note 13)	(4,713)	15,031	(10,406)	(612)	(700)

16 Employees

There are no employees (2013: nil) of GlaxoSmithKline Capital plc. A management fee is charged by GlaxoSmithKline Services Unlimited for services provided to the Company (see Note 3).

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 (2013: £nil). Corporate Directors received no remuneration during the year, either as executives of the Group or in respect of their services to the Company (2013: £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 2014 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.