GlaxoSmithKline Capital plc
(Registered Number 2258699)

Annual Report and Financial Statements

For the year ended 31st December 2010

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

GlaxoSmithKline Capital plc

Annual Report and Financial Statements

For the year ended 31st December 2010

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GlaxoSmithKline Capital plc
Registered Number (2258699)

Directors' Report for the year ended 31st December 2010

The Directors submit their report and the audited financial statements for the year ended 31st December 2010.

Principal activities

GlaxoSmithKline Capital plc ("the Company") issues European Medium Term Notes and provides financial services to fellow subsidiaries of the GlaxoSmithKline Group of Companies ("the Group"). The Directors do not envisage any change to the nature of the business in the foreseeable future.

Review of business

The Company made a profit on ordinary activities after taxation of £2,476,000 (2009: profit of £2,271,000). The Directors are of the opinion that the current level of activity and the year end financial position are satisfactory and will remain so in the foreseeable future.

The retained profit for the year of £2,476,000 will be transferred to reserves (2009: retained profit for the year of £2,271,000 transferred to reserves).

All European Medium Term Notes in issue pay interest on a fixed rate basis. No new issuances were made during the year ended 31st December 2010.

Principal risks and uncertainties

The Directors of the ultimate parent undertaking, 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 2010 Annual Report, which does not form part of this report.

In addition to the Financial Risk Management disclosed in the Treasury Policy Note on page 8 and 9 (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.

Global and Political Economic Conditions

The global recession caused by the international financial crisis continued to impact the world's economies during 2010. Although many countries and industry sectors saw some improvement over 2009, significant growth remained elusive and the recovery was fragile at best. The debt crisis in Greece spread to other economies such as Spain, Portugal, Italy, Ireland and Romania. As we moved towards the end of the year, many governments introduced austerity measures to complement the fiscal stimulus initiatives of 2009. Any decline in economic activity may have an impact on the Group's ability to raise capital. The Group has no control over changes in inflation and interest rates, foreign currency exchange rates and controls or other economic factors that may affect it or the Company, or the possibility of legal or 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 operations.

Impact of New or Revised Accounting Standards

New or revised accounting standards, rules and interpretations circulated from time to time by the standard setting board could result in changes to the recognition of income and expense that may adversely impact the Group's reported financial results. The Group believes that it complies with the appropriate regulatory requirements concerning its financial statements and disclosures.

Directors' Report for the year ended 31st December 2010

Key performance indicators (KPIs)

The Directors of GlaxoSmithKline plc manage the Group's operations on a business sector basis. For this reason, the Company's Directors believe that 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 2010 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 5.

No dividend is proposed to the holders of Ordinary Shares in respect of the year ended 31st December 2010 (2009: 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 J S Heslop	Resigned on 31 March 2011
Mr S P Dingemans	Appointed on 01 April 2011

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.

Directors' Interests

Name	Ordinary Shares At 31.12.10
Mr J S Heslop	76,254

Share Options	At 31.12.10
Mr J S Heslop	585,050

All Share Options are over Ordinary Shares.

Performance Share Plan	At 31.12.10
Mr J S Heslop	507,831

All shares are over Ordinary Shares.

The details of the above-mentioned Plans are disclosed in the 2010 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 its duties.

In addition, each of the Directors who is an individual benefits from an indemity 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.

GlaxoSmithKline Capital plc
Registered Number (2258699)

Directors' Report for the year ended 31st December 2010

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 year.

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

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

The Company's Annual Report and financial statements for the year ended 31st December 2010 are available upon request in hard-copy form and made available on the Group's website. The Directors are responsible for the maintenance and integrity of the Annual Report on the website in accordance with UK legislation governing the preparation and dissemination of financial statements. Access to the website is available from outside the UK, where comparable legislation may be different.

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

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

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.

Going concern

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

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
26 April 2011

GlaxoSmithKline Capital plc

Independent Auditors' Report to the members of GlaxoSmithKline Capital plc

We have audited the financial statements of GlaxoSmithKline Capital plc for the year ended 31st December 2010 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet 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 Statement of Directors' Responsibilities 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.

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 2010 and 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.

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.

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 auditor's name should not be stated.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
26 April 2011

GlaxoSmithKline Capital plc

Profit and Loss Account
For the year ended 31st December 2010

	Notes	**2010** **£'000**	2009 £'000
Administrative expense	*3*	**(35)**	(35)
Interest receivable and similar income	*4*	**410,134**	396,635
Interest payable and similar charges	*5*	**(406,631)**	(393,445)
Net interest receivable		**3,503**	3,190
Operating profit		**3,468**	3,155
Profit on ordinary activities before taxation		**3,468**	3,155
Taxation on profit on ordinary activities	*6*	**(992)**	(884)
Profit for the financial year	*12*	**2,476**	2,271

The results disclosed above relate entirely to continuing operations.

There is no 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 31st December 2010

	Note	2010 £'000	2009 £'000
Profit for the financial year		**2,476**	2,271
Cash flow hedge reserve recycled to profit and loss account	*12*	411	411
Total recognised gains relating to the year		**2,887**	2,682

GlaxoSmithKline Capital plc

Balance Sheet
As at 31st December 2010

	Notes	2010 £'000	2009 £'000
Debtors: amounts due after one year	7	**8,262,755**	8,459,794
Debtors: amounts due within one year	7	**136,617**	129,868
Debtors		**8,399,372**	8,589,662
Cash at bank and in hand	9	**4**	4
Current assets		**8,399,376**	8,589,666
Creditors	8	**(134,716)**	(137,563)
Creditors: amounts falling due within one year	8	**(134,716)**	(137,563)
Net current assets		**8,264,660**	8,452,103
Total assets less current liabilities		**8,264,660**	8,452,103
Loans due after one year	9	**(8,270,708)**	(8,461,038)
Creditors: amounts falling due after one year	9	**(8,270,708)**	(8,461,038)
Net liabilities		**(6,048)**	(8,935)
Capital and reserves			
Called up share capital	11	**100**	100
Profit and loss account	12	**1,075**	(1,401)
Cash flow hedge reserve	12	**(7,223)**	(7,634)
Total shareholders' deficit	13	**(6,048)**	(8,935)

The financial statements on pages 5 to 15 were approved by the Board of Directors on 26 April 2011 and were signed on its behalf by:

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

GlaxoSmithKline Capital plc

Notes to the Financial Statements for the year ended 31st December 2010

1 Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. In addition, the Company has taken advantage of the exemption within FRS 29, 'Financial Instruments: Disclosure' from the disclosure requirements of this standard on the basis that the Company is included in the publicly available consolidated financial statements of the Group, issued by GlaxoSmithKline plc as its parent company, which include disclosures that comply with IFRS 7, 'Financial Instruments: Disclosures', which is equivalent to FRS 29.

(a) Basis of accounting

These financial statements have been prepared on the going concern basis, due to ongoing support from the intermediate parent undertaking, GlaxoSmithKline Finance plc, under the historical cost convention, the accounting policies set out below, which have been applied consistently, and in accordance with the Companies Act 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, or at the forward rate if hedged by a forward exchange contract. Foreign currency monetary assets and liabilities are translated into local currency at rates of exchange ruling at the balance sheet date, or at the forward rate. Exchange differences are included in operating profit.

(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. Provision is made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated.

(g) Debt instruments

Debt instruments are stated at the amount of net proceeds adjusted to amortise the finance cost of debt using the effective interest rate method over the term of the debt, and for movements in the fair value of the bond, where hedge accounting is applicable.

(h) Taxation

Current tax is provided at the amounts expected to be paid, applying tax rates that have been enacted or substantially enacted by the balance sheet date.

The Company accounts for taxation which is deferred or accelerated by reason of timing differences which have originated but not reversed by the balance sheet date. Deferred tax assets are only recognised to the extent that they are considered recoverable against future taxable profits.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse. Deferred tax liabilities and assets are not discounted.

2 Treasury Policy

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

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

(a) Treasury

The Company's ultimate parent undertaking, GlaxoSmithKline plc, is a UK-based business, reporting in Sterling and paying dividends out of Sterling profits.

The role of Corporate Treasury in the Group is to manage and monitor the Group's external and internal funding requirements and financial risks in support of Group corporate objectives. Treasury policies are governed by policies and procedures approved by the Board of Directors and monitored by a Treasury Management Group ("TMG"). The Group maintains treasury control systems and procedures to monitor foreign exchange, interest rate, liquidity, credit and other financial risks.

(b) Liquidity

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

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

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

(c) Treasury operations

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

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

The Group uses a number of derivative financial instruments to manage the market risks from Treasury operations. Derivative instruments, principally comprising forward foreign currency contracts, interest rate and currency swaps, are used by Corporate Treasury to swap borrowings and liquid assets into the currencies required for Group purposes and to manage exposure to market risks from changes in foreign exchange rates and interest rates.

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, mainly managed centrally by Corporate Treasury, comprise a portfolio of long and medium-term instruments in addition to short-term finance.

The Group does not hold or issue derivative financial instruments for trading purposes and the Group's Treasury policies specifically prohibit such activity. All transactions in financial instruments are undertaken to manage the risks arising from underlying business activities, not for speculation.

(d) Maturity and counterparty risk

The Group manages its net borrowing requirement through a portfolio of long and medium-term borrowings, including bonds, and have also used short-term finance through a US commercial paper programme.

The Group has a Euro Medium Term Note programme of £15 billion, of which £8.3 billion was in issue as at 31st December 2010, and a US shelf registration statement, of which $10.1 billion (£6.5 billion) was in issue as at 31st December 2010. The TMG monitors the cash flow forecast of the Group on a monthly basis.

The Group's long-term borrowings mature at dates between 2012 and 2042.

(e) Interest rate risk management

The Group's policy on interest rate risk management requires that the amount of net borrowings at fixed rates increases with the ratio of forecast net interest payable to Group trading profit. At 31st December 2010, £nil (31st December 2009: £nil) of the Company's net borrowings were exposed to floating interest rates after the effects of hedging.

(f) Foreign exchange risk management

The Group seeks to denominate borrowings in the currencies of its principal assets and cash flows. These are primarily denominated in US dollars, Euros and Sterling. Certain borrowings are swapped into other currencies as required for Group purposes.

3 Administrative expense

	2010 £'000	2009 £'000
The following item has been (charged) in operating profit:		
Management fee	**(35)**	(35)

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 £30,103 (2009: £29,368).

4 Interest receivable

	2010 £'000	2009 £'000
Interest receivable and similar income		
On loans with Group undertakings	**410,134**	396,635

5 Interest payable

	2010 £'000	2009 £'000
Interest payable and similar charges		
Cash flow hedge recycling from equity	**(411)**	(411)
Interest on Medium-Term Notes and Eurobonds	**(398,159)**	(385,814)
Amortisation of bond expenses	**(8,061)**	(7,220)
	(406,631)	(393,445)

6 Tax on profit on operating activities

	2010 £'000	2009 £'000
Taxation charge based on profits for the year		
UK corporation tax at 28% (2009: 28%)	**850**	762
Over provision in previous years	**(1)**	-
Current tax charge	**849**	762
Deferred taxation - current year charge	**121**	122
Deferred tax - effect of tax rate change	**22**	-
Deferred tax charge	**143**	122
Total tax charge	**992**	884

The tax assessed for the year is lower (2009: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2010 of 28% (2009: 28%). The differences are explained below:

Reconciliation of current taxation charge	£'000	£'000
Profit on ordinary activities before taxation	**3,468**	3,155
Profit on ordinary activities at the UK statutory rate 28% (2009: 28%)	**971**	884
Permanent Disallowables - interest treated as paid by ultimate parent	**113,857**	110,165
Permanent Deductions - group relief received for no payment	**(113,857)**	(110,165)
Other timing differences	**(121)**	(122)
Prior year adjustments	**(1)**	-
Current tax charge for the year	**849**	762

On 22 June 2010 the Chancellor announced that the main rate of UK corporation tax will reduce from 28% to 27% with effect from 1 April 2011. This tax change became substantively enacted in July 2010 and hence the effect of the change on the deferred tax balances has been included in the figures above.

On 23 March 2011 the Chancellor announced an additional 1% reduction in the main rate of UK corporation tax to 26% with effect from 1 April 2011. The effect of the change would create an additional adjustment of approximately £22k. This has not been reflected in the figures above as it was not substantively enacted at the balance sheet date.

Further changes to the rate are proposed to reduce the rate by one per cent per annum to 23 per cent by 1 April 2014, but have not yet been substantively enacted and therefore are not included in the figures above.

The overall effect of the further changes from 27 per cent to 23 per cent, if these applied to the deferred tax balance at 31 December 2010, would be to reduce the deferred tax asset by approximately £86k.

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

7 Debtors

	2010 £'000	2009 £'000
Amounts due within one year		
Amounts owed by Group undertakings	**136,037**	129,145
Deferred tax asset (see Note 10)	**580**	723
	136,617	129,868
Amounts due after one year		
Amounts owed by Group undertakings	**8,262,755**	8,459,794
	8,399,372	8,589,662

Amounts owed by group undertakings are unsecured with interest charge at between 3.2% and 6.5% per annum and repayable at maturity dates between 2012 and 2042.

8 Creditors

	2010 £'000	2009 £'000
Amounts falling due within one year		
Taxation	**850**	1,648
Interest payable	**133,866**	135,915
	134,716	137,563

The taxation creditor contains amounts which will be paid to fellow Group companies.
The interest payable relates to interest on Medium Term Notes and Euro bonds.

9 Net debt

	2010 £'000	2009 £'000
Cash at bank	**4**	4
Amounts owed by Group undertakings (see Note 7)	**8,262,755**	8,459,794
	8,262,759	8,459,798
Loans due after one year:		
Eurobonds and Medium-Term Notes	**(8,270,708)**	(8,461,038)
Net debt	**(7,949)**	(1,240)

The overall increase in Net debt is due to the amortisation of capitalised bond costs to Eurobonds and Medium-Term Notes. This has partially been off-set by the depreciation of the Euro against Sterling at 31st December 2010, relative to 31st December 2009. The cumulative effect of amortisation of capitalised bond costs as at 31st December 2010 is £39,560,000 (31st December 2009: £31,499,000).

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

Loans due after one year

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

	2010 £'000	2009 £'000
Between one and two years	**2,558,872**	-
Between two and five years	**1,358,208**	2,646,407
After five years	**4,353,628**	5,814,631
	8,270,708	8,461,038

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

The loan repayable between two and five years carry an interest rate of 3.875% (EUR) and the repayment date is 6th July 2015.

The loans repayable after five years carry interest rates of 5.625%, and 4% (EUR), and 5.25% , 6.375% and 5.25% (GBP). The repayment dates are 13th December 2017, 16th June 2025, 19th December 2033, 9th March 2039 and 10th April 2042 respectively.

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

10 Deferred taxation asset

	2010 £'000	2009 £'000
Short term timing differences	**580**	723

Deferred tax asset	**Total £'000**
At 1st January 2010	**723**
Charge for the year	**(121)**
Change in tax rate - impact on deferred tax	**(22)**
At 31st December 2010	**580**

11 Called up share capital

	2010 Number of Shares	2009 Number of Shares	2010 £'000	2009 £'000
Authorised				
Ordinary Shares of £1 each	**100,000**	100,000	**100**	100
Issued and fully paid				
Ordinary Shares of £1 each	**100,000**	100,000	**100**	100

12 Reserves

	Profit and Loss Account £'000	Cash Flow Hedge Reserve £'000	Total Reserves £'000
At 1st January 2010	(1,401)	(7,634)	**(9,035)**
Profit for the financial year	2,476	-	**2,476**
Movement in cash flow hedge reserve	-	411	**411**
At 31st December 2010	1,075	(7,223)	**(6,148)**

The cash flow hedge reserve relates to the cumulative fair value of derivatives representing pre-hedges of debt-issuances. The reserve is amortised over the life of the subsequently issued bonds, maturing in June 2025 and April 2042.

13 Reconciliation of movements in shareholders' deficit

	2010 £'000	2009 £'000
Profit for the financial year	**2,476**	2,271
Movement in cash flow hedge reserve	**411**	411
Net deduction from shareholders' deficit	**2,887**	2,682
Opening shareholders' deficit	**(8,935)**	(11,617)
Closing shareholders' deficit – equity interests	**(6,048)**	(8,935)

14 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 (2009: 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 on page 13 presents the carrying amounts and the fair values of the Company's financial assets and liabilities at 31st December 2010 and 31st December 2009.

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

Cash at bank – approximates to the carrying amount;
Short-term loans and overdrafts – approximates to the carrying amount because of the short maturity of these instruments;
Medium-term loans – market value based on quoted market prices in the case of the Eurobonds and other fixed rate borrowings, approximates to the carrying amount in the case of floating rate bank loans and other loans;
Cross currency interest rate instruments - fair value is determined using the net present value of discounted cash flows;
Interest rate instruments – fair value is determined using the net present value of discounted cash flows;
Debtors and creditors – approximates to the carrying amount.

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

	At 31.12.10		At 31.12.09	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Net debt				
Cash at bank	4	4	4	4
Amounts owed by Group undertakings	8,262,755	8,262,755	8,459,794	8,459,794
Current asset financial instruments	8,262,759	8,262,759	8,459,798	8,459,798
Sterling notes and bonds	(2,659,627)	(2,854,922)	(2,658,086)	(2,775,540)
Euro notes and bonds	(5,611,081)	(5,989,003)	(5,802,952)	(6,136,143)
Total borrowings	(8,270,708)	(8,843,925)	(8,461,038)	(8,911,683)
Total net debt (per Note 9)	(7,949)	(581,166)	(1,240)	(451,885)
Other debtors *	136,617	136,617	129,868	129,868
Other creditors *	(134,716)	(134,716)	(137,563)	(137,563)
Net financial assets and liabilities	(6,048)	(579,265)	(8,935)	(459,580)
Comprising:				
Total financial assets	8,399,376	8,399,376	8,589,666	8,589,666
Total financial liabilities	(8,405,424)	(8,978,641)	(8,598,601)	(9,049,246)

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 total liabilities

Total financial liabilities below comprise total borrowings of £8,270,708,000 (2009: £8,461,038,000) shown in Net Debt.

At 31st December 2010	Fixed rate			
Currency	£'000	Average interest rate %	Average years for which rate is fixed	**Total £'000**
Sterling	2,659,627	6.0	27	**2,659,627**
Euro	5,611,081	5.0	5	**5,611,081**
Total Adjusted Financial Liabilities	8,270,708	5.3	12	**8,270,708**

At 31st December 2009	Fixed rate			
Currency	£'000	Average interest rate %	Average years for which rate is fixed	**Total £'000**
Sterling	2,658,086	6.0	28	**2,658,086**
Euro	5,802,952	5.0	6	**5,802,952**
Total Adjusted Financial Liabilities	8,461,038	5.3	13	**8,461,038**

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

GlaxoSmithKline Capital plc

Notes to the Financial Statements for the year ended 31st December 2010

Currency and interest rate risk profile of current financial assets

Total financial assets below comprise cash at bank of £4,000 (2009: £4,000) and amounts owed by Group undertakings of £8,262,755,000 (2009: £8,459,794,000).

At 31st December 2010 **Currency**	Fixed rate £'000	Floating rate £'000	**Total** **£'000**
US dollars	-	4	**4**
Sterling	2,680,367	-	**2,680,367**
Euro	5,582,388	-	**5,582,388**
Total Adjusted Financial Assets	8,262,755	4	**8,262,759**

At 31st December 2009 **Currency**	Fixed rate £'000	Floating rate £'000	**Total** **£'000**
US dollars	-	4	**4**
Sterling	2,679,799	-	**2,679,799**
Euro	5,779,995	-	**5,779,995**
Total Adjusted Financial Assets	8,459,794	4	**8,459,798**

Currency exposure of net monetary assets / (liabilities)

Monetary assets and liabilities denominated in foreign currency.

Net monetary assets/(liabilities) held in foreign currency	**2010** **£'000**	2009 £'000
US dollars	**4**	4
Euro	**(28,693)**	(22,957)
	(28,689)	(22,953)

Maturity of financial liabilities	**Total** **2010** **£'000**	Total 2009 £'000
Between one and two years	**(2,558,872)**	-
Between two and five years	**(1,358,208)**	(2,646,407)
After five years	**(4,353,628)**	(5,814,631)
	(8,270,708)	(8,461,038)

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

15 Employees

The Company has no employees as all personnel are employed by other Group companies (2009: nil).

16 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 (2009: £nil). Corporate Directors received no remuneration during the year, either as executives of the Group or in respect of their services to the Company (2009: £nil).

17 Cash flow statement

A cash flow statement has been included in the consolidated financial statements of GlaxoSmithKline plc, the ultimate parent undertaking, which are publicly available. As a wholly owned subsidiary of the ultimate parent undertaking, advantage has been taken of the exemption afforded by FRS 1 'Cash Flow Statements' (Revised 1996) not to prepare a cash flow statement.

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 bankers. The bank holds the right to pay and apply funds from any account of the Company to settle any indebtedness to the bank of any other party to this agreement. The Company's maximum potential liability as at 31st December 2010 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.