GlaxoSmithKline Capital plc
(Registered number: 2258699)

Annual Report

for the year ended 31 December 2015

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

GlaxoSmithKline Capital plc

Annual Report

for the year ended 31 December 2015

GlaxoSmithKline Capital plc
Registered number: (2258699)

Strategic report for the year ended 31 December 2015

The Directors present their strategic report on GlaxoSmithKline Capital plc (the "Company") for the year ended 31 December 2015.

Principal activities

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

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

Review of business

The Company made a profit for the financial year of £8,749k (2014: £6,734k), which will be transferred to reserves. 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.

At 31 December 2015, the Company had in issue £7,333,954k Euro Medium Term Notes and £2,708,365k US Medium Term Notes (2014: £8,744,819k and £3,189,406k respectively) which mature at dates between 2017 and 2045. All notes currently in issue pay interest on a fixed rate basis.

During the year, two bonds that were issued under the Group's European and US Medium Term Note programmes matured during the year; they were the 3.875% €1.6 billion European Medium Term Note in July 2015 and the 0.75% US$1 billion US Medium Term Note in May 2015.

Principal risks and uncertainties

The Directors of GlaxoSmithKline plc manage the risks of the Group at a group level, rather than at an individual business unit level. For this reason, the Company's Directors believe that a discussion of the Group's risks would not be appropriate for an understanding of the development, performance or position of the Company's business. The principal risks and uncertainties of the Group, which include those of the Company, are discussed in the Group's 2015 Annual Report which does not form part of this report.

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 2015 Annual Report which does not form part of this report.

First time adoption of FRS 101

In the current year, the company has adopted Financial Reporting Standard 100 "Application of Financial Reporting Requirements" ("FRS 100") and Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101"). In previous years, the financial statements were prepared in accordance with applicable UK accounting standards. This change in the basis of preparation has not materially altered the recognition and measurement requirements previously applied in accordance with applicable accounting standards.

On behalf of the Board

A Walker
For and on behalf of Glaxo Group Limited
Corporate Director
26 April 2016

GlaxoSmithKline Capital plc
Registered number: (2258699)

Directors' report for the year ended 31 December 2015

The Directors present their report on the Company and the audited financial statements for the year ended 31 December 2015.

Future developments

Details of expected future developments of the Company have been included in the Strategic Report on page 1.

Results and dividends

The Company's results for the financial year are shown in the Income statement on page 8.

No dividend is proposed to the holders of Ordinary Shares in respect of the year ended 31 December 2015 (2014: £nil).

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 2015 Annual Report which does not form part of this report.

Financial risk management

The Company issues notes under the Group's European and US Medium Term Note programme in order to meet anticipated funding requirements. The strategy is to diversify liquidity sources using a range of facilities and to maintain broad access to funding markets. Details of derivative financial instruments and hedging and further information on risk management policies, exposures to market, credit and liquidity risk are disclosed in Note 2(j) and 4 respectively.

Previously in 2012, the Company entered into US dollar Government treasury base rate Locks to manage interest rate risk on its forecasted 3, 7 and 30 year US dollar debt issued under the Group's Euro Medium Term Note programme.

At 31 December 2015, none of the Company's total debt issuances were exposed to floating interest rates and interest is paid on a fixed rate basis.

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:

S P Dingemans
Edinburgh Pharmaceutical Industries Limited
Glaxo Group Limited

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.

Directors' report for the year ended 31 December 2015

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 Directors in the execution and discharge of their 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 virtue of his or her engagement in the business of the Company.

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 31.12.14**	**Acquired**	**Disposed**	**At 31.12.15**
S P Dingemans	90,951	109,706	(70,860)	129,797

Options	**At 31.12.14**	**Granted**	**Exercised/ lapsed**	**At 31.12.15**
S P Dingemans	-	38,840	(38,840)	-

ShareSave	**At 31.12.14**	**Granted**	**Exercised/ lapsed**	**At 31.12.15**
S P Dingemans	764	266	(310)	720

Performance Share Plan awards	**At 31.12.14**	**Granted**	**Exercised/ lapsed**	**At 31.12.15**
S P Dingemans	588,050	222,407	(198,623)	611,834

Deferred Annual Bonus Plan	**At 31.12.14**	**Granted**	**Exercised/ lapsed**	**At 31.12.15**
S P Dingemans	132,514	35,384	(68,440)	99,458

All share awards are over Ordinary shares of GlaxoSmithKline plc.

The details of the above-mentioned Plans are disclosed in the 2015 Annual Report of GlaxoSmithKline plc.

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards), including FRS 101 "Reduced Disclosure Framework" ("FRS 101") 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.

Directors' report for the year ended 31 December 2015

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;
- state whether applicable UK accounting standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the Company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of the financial statements; and
- 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.

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

A Walker
For and on behalf of Glaxo Group Limited
Corporate Director
26 April 2016

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 at 31 December 2015 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 properly prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Directors' report and financial statements (the "Annual Report"), comprise:

- the Balance sheet at 31 December 2015;
- the Income Statement and the Statement of comprehensive income for the year then ended;
- the Cash flow statement for the year then ended;
- the Statement of changes in equity for the 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 United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (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.

Independent auditors' report to the members of GlaxoSmithKline Capital plc

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 Statement of Directors' responsibilities as 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) ("ISA (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

The 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 ISA (UK & Ireland). An audit involves obtaining evidence about 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 the 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 Annual Report 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.

Independent auditors' report to the members of GlaxoSmithKline Capital plc

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
26 April 2016

- The maintenance and integrity of the GlaxoSmithKline 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.

- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

GlaxoSmithKline Capital plc

Income statement
for the year ended 31 December 2015

	Notes	**2015** £'000	2014 £'000
Other operating income	6	**547**	683
Operating profit		**547**	683
Finance income	8	**394,271**	408,331
Finance expense	9	**(383,849)**	(400,444)
Net finance income		**10,422**	7,887
Profit on ordinary activities before income tax		**10,969**	8,570
Income tax expense on ordinary activities	10	**(2,220)**	(1,836)
Profit for the financial year		**8,749**	6,734

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

There is no difference in either the current year or prior year between the profit on ordinary activities before income tax and the profit for the financial year stated above and their historical cost equivalents.

The notes on pages 13 to 25 are an integral part of these financial statements.

GlaxoSmithKline Capital plc

Statement of comprehensive income
for the year ended 31 December 2015

	Notes	2015 £'000	2014 £'000
Profit for the financial year		**8,749**	6,734
Items that may be subsequently reclassified to the Income statement:			
Fair value movements on cash flow hedges		**-**	(2,775)
Reclassification of cash flow hedges to the Income statement		**954**	626
Deferred tax on cash flow hedges	10	**(433)**	2,609
Other comprehensive income for the financial year		**521**	460
Total comprehensive income for the financial year		**9,270**	7,194

The notes on pages 13 to 25 are an integral part of these financial statements.

GlaxoSmithKline Capital plc

Balance Sheet
As at 31 December 2015

	Notes	**2015** **£'000**	2014 £'000
Current assets			
Other receivables	11	**10,166,218**	12,074,919
- including £9,986,490k (2014: £10,008,530k) due after more than one year			
Cash and cash equivalents		**2**	3
Total current assets		**10,166,220**	12,074,922
Creditors: amounts falling due within one year	12	**(104,207)**	(2,010,305)
Net current assets		**10,062,013**	10,064,617
Total assets less current liabilities		**10,062,013**	10,064,617
Creditors: amounts falling due after more than one year	12	**(10,042,319)**	(10,054,193)
Net assets		**19,694**	10,424
Capital and reserves			
Called up share capital	17	**100**	100
Other reserves	18	**(9,914)**	(10,435)
Retained earnings	18	**29,508**	20,759
Total shareholders' funds		**19,694**	10,424

The notes on pages 13 to 25 are an integral part of these financial statements.

The financial statements on pages 8 to 25 were approved by the Board of Directors on 26 April 2016 and were signed on its behalf by:

A Walker
For and on behalf of Glaxo Group Limited
Corporate Director

GlaxoSmithKline Capital plc

Statement of changes in equity
for the year ended 31 December 2015

	Called up share capital £'000	Other reserves £'000	Retained earnings £'000	Total shareholders' funds £'000
At 1 January 2014	**100**	(10,895)	14,025	3,230
Profit for the financial year	-	-	6,734	6,734
Other comprehensive income for the financial year	-	460	-	460
At 31 December 2014	**100**	(10,435)	20,759	10,424
Profit for the financial year	-	-	8,749	8,749
Other comprehensive income for the financial year	-	521	-	521
At 31 December 2015	**100**	(9,914)	29,508	19,694

The notes on pages 13 to 25 are an integral part of these financial statements.

GlaxoSmithKline Capital plc

Cash flow statement
for the year ended 31 December 2015

	Notes	2015 £'000	2014 £'000
Net cash inflow / (outflow) from operating activities	15	**1,788,448**	(1,943,913)
Cash flow from investing activities			
Fair value loss on cash flow hedges		**-**	(2,775)
Net cash outflow from investing activities		**-**	(2,775)
Cash flow from financing activities			
Long-term loans issued		**-**	1,963,410
Repayment of short-term loans		**(1,780,815)**	-
Decrease in loans with Group undertakings		**(7,634)**	(16,723)
Net cash (outflow)/inflow from financing activities		**(1,788,449)**	1,946,687
Decrease in cash in the year		**(1)**	(1)
Cash at beginning of year		**3**	4
Decrease in cash		**(1)**	(1)
Cash at end of year		**2**	3

The notes on pages 13 to 25 are an integral part of these financial statements.

1 Presentation of the financial statements

General information
GlaxoSmithKline Capital plc (the "Company") is a member of GlaxoSmithKline Group and issues US and Euro Medium Term Notes and provides financing and financial services to other Group entities.

The company is a public company and is incorporated and domiciled in the UK (England). The address of the registered office is 980 Great West Road, Brentford, Middlesex TW8 9GS.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 100 "Application of Financial Reporting Requirements" ("FRS 100") and Financial Reporting Standard 101 “Reduced Disclosure Framework" ("FRS 101"). The principal accounting policies adopted in the preparation of the financial statements are set out below.

These financial statements have been prepared on the going concern basis under the historical cost convention, and in accordance with the Companies Act 2006.

First time application of FRS 100 and 101

In the current year, the Company has adopted FRS 100 and FRS 101. In previous years, the financial statements were prepared in accordance with applicable UK accounting standards.

Under previous applicable UK accounting standards, the Company adopted FRS 26 "Financial Instruments: Measurement" and the effect of this was the revaluation of financial assets and liabilities to fair value, including the valuation of derivative instruments at market rates. Therefore, the change in the basis of preparation to FRS 100 and FRS 101 has not altered in any way the recognition and measurement requirements previously applied in accordance with applicable accounting standards. Consequently, there has been no change to the opening Balance sheet, equity and the prior year Income statement. The principal accounting policies are also unchanged from the prior year.

Disclosure exemptions adopted

In preparing these financial statements, the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- Paragraph 38 of IAS 1 "Presentation of financial statements" comparative information requirements in respect of:
  (i) paragraph 79(a) (iv) of IAS 1;

- The following paragraphs of IAS 1 "Presentation of financial statements":
  - 10(f) (a balance sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or make a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements;
  - 16 (statement of compliance with all IFRS);
  - 38B-D (additional comparative information); and
  - 40A-D (requirements for a third balance sheet);

- Paragraph 30 and 31 of IAS 8 "Accounting policies, changes in accounting estimates and errors" (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- Paragraph 17 of IAS 24 "Related party disclosures" (key management compensation); and
- The requirements in IAS 24 "Related party disclosures" to disclose related party transactions entered into between two or more wholly owned members of a group.

The financial statements of GlaxoSmithKline plc can be obtained as described in note 2(b).

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

(b) Consolidation

The Company is a wholly owned subsidiary of GlaxoSmithKline plc, a company registered in England and Wales and 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. These financial statements are separate financial statements.

(c) Foreign currency transactions

Foreign currency transactions are booked in functional currency of the company at the exchange rate ruling on the date of the transaction. Foreign currency monetary assets and liabilities are translated into functional currency at rates of exchange ruling at the balance sheet date. Exchange differences are included in the income statement. The functional and presentation currency of the Company is Pounds Sterling.

(d) Other operating income and expense

Management service fees are recognised in other operating income on an accruals basis.

(e) Finance income and expense

Finance income and expenses are recognised on an accruals basis using the effective interest method.

(f) Financial assets

Classification
The Company classifies its financial assets as loans and receivables. Management determines the classification of its financial assets at initial recognition.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets and are shown on the Balance sheet under other receivables. The Company's loans and receivables comprise amounts owed by Group undertakings.

Recognition and measurement
Loans and receivables are carried at amortised cost using the effective interest method.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, current balances with banks and similar institutions and highly liquid investments with maturities of three months or less. They are readily convertible into known amounts of cash and have an insignificant risk of changes in value.

(h) Other payables

These comprise US and Euro Medium Term Notes and 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.

(i) Taxation

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

Deferred tax is provided in full, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probably that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax is provided using rates of tax that have been enacted or substantively enacted by the balance sheet date.

(j) Derivative financial instruments and hedging

Derivative financial instruments can be used by the Company to manage exposure to market risks. The Company does not hold or issue derivative financial instruments for trading or speculative purposes and does not currently hold any derivative instruments.

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.

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

The Company carries a balance in other comprehensive income that arose from using the Government treasury base rate Locks for pre-hedging fluctuations in long-term interest rates when pricing bonds issued in prior years.

3 Key accounting judgements and estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts of assets, liabilities, revenue and expenses reported in the financial statements. Actual amounts and results could differ from those estimates. The following are considered to be the key accounting judgements and estimates made.

(a) Taxation

Current tax is provided at the amounts expected to be paid, and deferred tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts, at the rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised, based on management’s assumptions relating to the amounts and timing of future taxable profits.

Notes to the financial statements for the year ended 31 December 2015

4 Financial risk management

Risk management is carried out by Corporate Treasury under policies and procedures approved by the Group's Board of Directors on 8 July 2015. The role of Corporate Treasury is to monitor and manage the Group's external and internal funding requirements and financial risks, covering foreign exchange, interest rate, liquidity, and credit risks, in support of the Group's strategic objectives. A Treasury Management Group meeting, chaired by the Group's Chief Financial Officer, also takes place on a monthly basis to review treasury activities.

(a) Market risk

(i) *Foreign exchange risk*
The company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and Euro, in respect of bonds issued under the European Medium Term Note programme.

The net proceeds of bond issuances received are advanced as loans to other Group undertakings in the same currency which minimises the foreign translation exposure within the Company. On this basis, foreign exchange risk is not considered material and the Company has not prepared a sensitivity analysis.

(ii) *Interest rate risk*
The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Company to fair value interest rate risk.

The Group's objective is to minimise the effective net interest cost and to balance 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 2015, £nil (2014: £nil) of the Company's total borrowings were exposed to floating interest rates. On this basis, interest rate risk is not considered material and the Company has not prepared a sensitivity analysis.

Currency and interest rate risk profile of financial liabilities

Total financial liabilities include total borrowings of £10,042,319k (2014: £11,934,225k).

	Fixed rate		
At 31 December 2015	**Weighted average interest rate**	**Average years for which rate is fixed**	**Total**
Currency	**%**		**£'000**
US dollars	**2.0**	**2**	**(2,708,365)**
Sterling	**5.0**	**22**	**(4,047,820)**
Euro	**3.0**	**5**	**(3,286,134)**
Total borrowings	**3.4**	**10**	**(10,042,319)**

	Fixed rate		
At 31 December 2014	Weighted average interest rate	Average years for which rate is fixed	Total
Currency	%		£'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)

Notes to the financial statements for the year ended 31 December 2015

Currency and interest rate risk profile of financial assets

Total financial assets excluding cash and other debtors amount to £10,058,660k (2014: £11,940,181k).

At 31 December 2015 **Currency**	**Fixed rate** **£'000**	**Fixed rate** **£'000**	**Total** **£'000**
US dollars	**2,696,069**	**29,138**	**2,725,207**
Sterling	**4,024,023**	**45,208**	**4,069,231**
Euro	**3,264,222**	**-**	**3,264,222**
Total current asset financial instruments	**9,984,314**	**74,346**	**10,058,660**

At 31 December 2014 Currency	Fixed rate £'000	Fixed rate £'000	Total £'000
US dollars	3,178,341	19,423	3,197,764
Sterling	4,040,106	-	4,040,106
Euro	4,670,398	31,913	4,702,311
Total current asset financial instruments	11,888,845	51,336	11,940,181

Currency exposure of net monetary (liabilities)/assets

	2015 **£'000**	2014 £'000
US dollars	**16,842**	8,357
Euro	**(21,912)**	2,720
Net monetary (liabilities)/assets held in foreign currency	**(5,070)**	11,077

(b) Credit risk

Credit risk is managed on a Group basis and arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions. The Group sets global counterparty limits for each of GSK's banking and investment counterparties based on long-term credit ratings from Moody's and Standard and Poor's. Usage of these limits is monitored daily and the Corporate Treasury actively manages its exposure to credit risk, reducing surplus cash balances wherever possible.

There are no financial assets that are past due or impaired as at 31 December 2015 (2014: £nil).

The Company did not hold any collateral as security or obtained other credit enhancements as at 31 December 2015 (2014: £nil).

The Company considers its maximum exposure to credit risk at 31 December 2015, without taking into account any collateral held or other credit enhancements, to be £10,164,042k (2014: £12,072,223k) which is the total amount owed by Group undertakings as disclosed in Note 11.

(c) Liquidity risk

Liquidity is managed centrally by borrowing in order to meet anticipated funding requirements and investing centrally managed liquid assets in bank deposits and "Aaa/AAA" rated US Treasury and Treasury repo only money market funds and liquidity funds. Group cash flow forecast and funding requirements are monitored on a monthly basis by the TMG and the strategy is to have diversified liquidity sources using a range of facilities and to maintain broad access to funding markets.

Notes to the financial statements for the year ended 31 December 2015

5 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 the Group's credit ratings that provide the Company with flexibility to access debt capital markets on attractive terms under the Group's European and US Medium Term Note programme.

The capital structure of the Company consists of total shareholders' funds of £19,691k (2014: £10,424k) (see Statement of changes in equity), of which £16,343k (2014: £5,959k) relates to a net surplus (see Note 16).

6 Other operating income

	2015	2014
	£'000	£'000
Exchange gains on foreign currency transactions	**593**	736
Management fee	**(46)**	(53)

GlaxoSmithKline Services Unlimited provides various services and facilities to the Company including finance and administrative services for which a management fee was charged of £45,879 in 2015 compared with £53,423 in 2014. Included in the management fee is a charge for auditor remuneration of £34,898 (2014: £33,881) and non-audit fees of £5,689 (2014: £5,689).

7 Employees

All employees are remunerated by GlaxoSmithKline Services Unlimited and receive no remuneration from the Company. A management fee is charged by GlaxoSmithKline Services Unlimited for services provided to the Company (see Note 6).

8 Finance income

	2015	2014
	£'000	£'000
On loans with Group undertakings	**394,271**	408,331
Total finance income	**394,271**	408,331

9 Finance expense

	2015	2014
	£'000	£'000
Interest expense arising on financial liabilities at amortised cost	**(382,895)**	(399,818)
Reclassification of cash flow hedge from other comprehensive income	**(954)**	(626)
Total finance expense	**(383,849)**	(400,444)

Notes to the financial statements for the year ended 31 December 2015

10 Taxation

Income tax expense on ordinary activities	2015 £'000	2014 £'000
Current tax:		
UK Corporation tax at 20.25% (2014: 21.50%)	**2,133**	1,750
Total current tax	**2,133**	1,750
Deferred tax:		
Origination and reversal of timing differences	**78**	86
Change in tax rate – impact on deferred tax	**9**	-
Total deferred tax	**87**	86
Income tax expense on ordinary activities	**2,220**	1,836

The tax assessed for the year is lower (2014: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2015 of 20.25% (2014: 21.50%). The differences are explained below:

Tax expense included in other comprehensive income	2015 £'000	2014 £'000
Deferred tax:		
on movements from the cash flow hedges	**172**	2,609
change in tax rates	**261**	-
Total tax expense included in other comprehensive income	**433**	2,609

Reconciliation of total tax charge	2015 £'000	2014 £'000
Profit on ordinary activities before taxation	**10,969**	8,570
Profit on ordinary activities at the UK statutory rate 20.25% (2014: 21.50%)	**2,221**	1,842
Effects of:		
Permanent disallowables - interest treated as paid by ultimate parent	**77,569**	86,011
Permanent deductions - Group relief received for no payment	**(77,569)**	(86,011)
Other timing differences	**-**	(6)
Effects of changes in tax rates	**(1)**	-
Total tax charge for the year	**2,220**	1,836

Factors that may affect future tax charges:

A reduction in the UK corporation tax rate from 21% to 20% (effective 1 April 2015) was enacted in 2013. Further reductions to 19% (effective 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted as part of the Finance (No 2) Act 2015 on 26 October 2015. This will impact the Company's future current tax charge accordingly. Deferred taxes have been calculated based on the rate of 18% (2014: 20%) substantively enacted at the balance sheet date.

Notes to the financial statements for the year ended 31 December 2015

Movement in deferred tax assets and liabilities

	Other net temporary differences £'000	**Total £'000**
At 1 January 2015	2,696	**2,696**
Charge to income statement	(87)	**(87)**
Charge to comprehensive income	(433)	**(433)**
At 31 December 2015	2,176	**2,176**

After offsetting deferred tax assets and liabilities where appropriate, the net deferred tax assets comprises:

	2015 £'000	2014 £'000
Deferred tax assets	**2,176**	2,696
Deferred tax liabilities	**-**	-
	2,176	2,696

11 Other receivables

	2015 £'000	2014 £'000
Amounts due within one year		
Amounts owed by Group undertakings – loans	**74,346**	1,934,347
Amounts owed by Group undertakings – current accounts	**105,382**	132,042
	179,728	2,066,389
Amounts due after more than one year		
Amounts owed by Group undertakings - loans	**9,984,314**	10,005,834
Deferred tax (Note 10)	**2,176**	2,696
	9,986,490	10,008,530
	10,166,218	12,074,919

Amounts owed by Group undertakings include the net proceeds of bond issuances that have been advanced as loans totalling £9,984,314k (2014: £11,872,675k), which are unsecured with interest charged at between 1.05% and 6.50% per annum and repayable at maturity dates between 2017 and 2045. In addition, there are deposits with Group undertakings totalling £74,346k (2014: £67,507k), which are unsecured, interest bearing and repayable on demand.

12 Creditors

	2015 £'000	2014 £'000
Amounts falling due within one year		
Amounts owed to Group undertakings	**(67)**	(1,764)
Corporation tax	**(2,133)**	(1,750)
Loans payables:		
Euro Medium Term Notes	**-**	(1,239,371)
US Medium Term Notes	**-**	(640,661)
Accruals and deferred income	**(102,007)**	(126,759)
	(104,207)	(2,010,305)

Notes to the financial statements for the year ended 31 December 2015

	2015 **£'000**	2014 £'000
Amounts falling due after more than one year		
Loans payables:		
Euro Medium Term Notes	**(7,333,954)**	(7,505,448)
US Medium Term Notes	**(2,708,365)**	(2,548,745)
	(10,042,319)	(10,054,193)
	(10,146,526)	(12,064,498)

Amounts owed to Group undertakings are unsecured and repayable on demand.

The corporation tax creditor contains amounts which will be paid to fellow Group companies.

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

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

Maturity of financial liabilities	**2015** **£'000**	2014 £'000
In more than one year, but not more than two years		
1.5% US$ US Medium Term Note 2017	**(1,357,900)**	-
5.625% € Euro Medium Term Note 2017	**(917,715)**	-
	(2,275,615)	-
In more than two years, but not more than five years		
1.5% US$ US Medium Term Note 2017	**-**	(1,277,690)
5.625% € Euro Medium Term Note 2017	**-**	(966,743)
0.6250% € Euro Medium Term Note 2019	**(1,096,470)**	(1,154,227)
	(1,096,470)	(3,398,660)
In more than five years		
2.85% US$ US Medium Term Note 2022	**(1,350,466)**	(1,271,056)
1.3750% € Euro Medium Term Note 2024	**(725,827)**	(764,093)
4.0% € Euro Medium Term Note 2025	**(546,122)**	(575,157)
3.375% £ Euro Medium Term Note 2027	**(592,069)**	(591,403)
5.25% £ Euro Medium Term Note 2033	**(984,776)**	(983,927)
6.375% £ Euro Medium Term Note 2039	**(694,889)**	(694,668)
5.25% £ Euro Medium Term Note 2042	**(987,662)**	(987,193)
4.25% £ Euro Medium Term Note 2045	**(788,423)**	(788,036)
	(6,670,234)	(6,655,533)
	(10,042,319)	(10,054,193)

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

Notes to the financial statements for the year ended 31 December 2015

13 Fair value of financial assets and liabilities

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

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

- Cash at bank – approximates to the carrying amount;
- Short-term loans and overdrafts – approximates to the carrying amount because of the short maturity of these instruments;
- Medium-term loans – market value based on quoted market prices in the case of US and Euro Medium Term Notes, intercompany receivables and other fixed rate borrowings, approximates to the carrying value in the case of floating rate bank loans and other loans; and
- Debtors and creditors – approximates to the carrying value

The carrying amounts and the fair values of the Company's financial assets and liabilities at 31 December 2015 and 31 December 2014 are illustrated below.

		2015		2014
	Carrying value £'000	**Fair value £'000**	Carrying value £'000	Fair value £'000
Cash and cash equivalents	**2**	**2**	3	3
Loans and receivables:				
Other receivables	**10,058,660**	**11,180,812**	11,940,181	13,386,521
Total financial assets	**10,058,662**	**11,180,814**	11,940,184	13,386,524
Financial liabilities measured at amortised cost:				
£ Euro Medium Term Notes	**(4,047,820)**	**(4,895,199)**	(4,045,227)	(5,098,993)
€ Euro Medium Term Notes	**(3,286,134)**	**(3,549,695)**	(4,699,591)	(5,088,214)
US$ US Medium Term Notes	**(2,708,365)**	**(2,735,918)**	(3,189,407)	(3,199,314)
Total financial liabilities	**(10,042,319)**	**(11,180,812)**	(11,934,225)	(13,386,521)
Total net surplus	**16,343**	**2**	5,959	3
Other debtors	**105,382**	**105,382**	132,042	132,042
Other creditors	**(104,207)**	**(104,207)**	(130,273)	(130,273)
Net financial assets and liabilities	**17,518**	**1,177**	7,728	1,772
Comprising:				
Total financial assets	**10,164,044**	**11,286,196**	12,072,226	13,518,566
Total financial liabilities	**(10,146,526)**	**(11,285,019)**	(12,064,498)	(13,516,794)

Total financial liabilities agree to the total of creditors due within and after one year on the face of the Balance sheet.

Other debtors and creditors relate to amounts with Group companies and amounts relating to tax.

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

The total financial liabilities of £11,180,812k (2014: £13,386,521k) for which the fair value is disclosed in the table above are categorised as Level 1, where quoted prices in active markets are used. All other assets and liabilities for which fair value is disclosed in the table above are categorised as Level 3, where one or more of the significant inputs to the valuation model is not based on observable market data.

Notes to the financial statements for the year ended 31 December 2015

14 Contractual cash flows for non-derivative financial liabilities

The following table provides an analysis of the anticipated contractual cash flows including interest payable for the Company's non-derivative financial liabilities on an undiscounted basis.

	2015 Debt	**2015 Interest on debt**	2014 Debt	2014 Interest on debt
	£'000	**£'000**	£'000	£'000
Due in less than one year	**-**	**(353,823)**	(1,881,336)	(405,798)
Between one and two years	**(2,279,662)**	**(343,616)**	-	(355,334)
Between two and three years	**-**	**(281,713)**	(2,251,044)	(345,715)
Between three and four years	**(1,102,941)**	**(281,713)**	-	(281,596)
Between four and five years	**-**	**(274,821)**	(1,162,791)	(281,596)
Between five and ten years	**(2,647,309)**	**(1,228,272)**	(2,057,245)	(1,280,296)
Greater than 10 years	**(4,100,000)**	**(2,657,750)**	(4,681,395)	(2,884,879)
Gross contractual cash flows	**(10,129,912)**	**(5,421,708)**	(12,033,811)	(5,835,214)

15 Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	2015	2014
	£'000	£'000
Operating profit	**547**	683
Exchange movements	**(593)**	(487)
Movements in working capital:		
(Increase)/decrease in debtors	**(190)**	690
(Decrease) in creditors	**(3,446)**	-
Interest paid	**(396,238)**	(390,221)
Interest received	**421,122**	408,832
Loans provided to Group undertakings	**-**	(1,963,410)
Loans repayments received from Group undertaking	**1,767,246**	-
Net cash (outflow)/inflow from operating activities	**1,788,448**	(1,943,913)

16 Analysis of changes in net debt

As at 31 December 2015	At 1 Jan 2015 £'000	Cash flows £'000	Amorti-sation £'000	Exchange movements £'000	**At 31 Dec 2015 £'000**
Cash at bank and in hand	3	(1)	-	-	**2**
Amounts owed by group companies	11,940,181	(1,759,613)	-	(121,908)	**10,058,660**
Current asset financial instruments	11,940,184	(1,759,614)	-	(121,908)	**10,058,662**
Sterling notes and bonds	(4,045,227)	(1)	(2,592)	-	**(4,047,820)**
Euro notes and bonds	(4,699,591)	1,132,581	(4,870)	285,746	**(3,286,134)**
US Dollar notes and bonds	(3,189,407)	648,235	(3,948)	(163,245)	**(2,708,365)**
Total borrowings	(11,934,225)	1,780,815	(11,410)	122,501	**(10,042,319)**
Total net debt (Note 13)	5,959	21,201	(11,410)	593	**16,343**

Notes to the financial statements for the year ended 31 December 2015

As at 31 December 2014	At 1 Jan 2014 £'000	Cash flows £'000	Amorti-sation £'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	1,980,132	-	(61,327)	11,940,181
Current asset financial instruments	10,021,380	1,980,131	-	(61,327)	11,940,184
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)	16,721	(10,549)	487	5,959

17 Called up share capital

	2015 Number of shares	2014 Number of shares	**2015 £'000**	2014 £'000
Authorised				
Ordinary shares of £1 each (2014: £1 each)	**100,000**	100,000	**100**	100
Issued and fully paid				
Ordinary shares of £1 each (2014: £1 each)	**100,000**	100,000	**100**	100

18 Other reserves

	Cash flow hedge reserve £'000	Retained earnings £'000	**Total reserves £'000**
At 1 January 2015	(10,435)	20,759	**10,324**
Transferred from income and expense in the year	-	8,749	**8,749**
Cash flow hedge reserve recycled to profit and loss account	954	-	**954**
Deferred tax effect of cash flow hedges	(433)	-	**(433)**
At 31 December 2015	(9,914)	29,508	**19,594**

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.

19 Contingent liabilities/assets

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 2015 is limited to the amount held on its accounts with the bank. No loss is expected to accrue to the Company from the agreement.

Notes to the financial statements for the year ended 31 December 2015

20 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 (2014: £nil). Corporate Directors received no remuneration during the year, either as executives of the Group or in respect of their services to the Company (2014: £nil).

21 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.