

GlaxoSmithKline Capital plc
(Registered number: 02258699)

Interim Management Report

for the half year ended 30 June 2022

Registered office address:

980 Great West Road
Brentford
Middlesex
TW8 9GS

**GlaxoSmithKline Capital plc
(Registered number: 02258699)**

**Interim Management Report
for the half year ended 30 June 2022**

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GlaxoSmithKline Capital plc
(Registered number: 02258699)

Results announcement and interim management report for the half year ended 30 June 2022

Performance

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

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

Review of business

The Company made a profit for the half year ended 30 June 2022 of £7,653,000 (2021: £6,685,000), which will be transferred to reserves. The Directors are of the opinion that the current level of activity and the period end financial position are satisfactory and will remain so in the foreseeable future.

No dividend is proposed to the holders of ordinary shares in respect of the period ended 30 June 2022 (2021: £nil).

At 30 June 2022, the Company had in issue £10,635,244,000 European Medium Term Notes and £2,671,831,000 US Medium Term Notes (31 December 2021: £10,519,164,000 and £4,994,472,000 respectively), which mature at dates between 2023 and 2045. All notes currently in issue pay interest on a fixed rate basis.

In May 2022, the Company has repaid the following notes:

- USD 2,000 million 2.85% US Medium Term Note
- USD 1,500 million 2.875% US Medium Term Note

Principal risks and uncertainties

The Directors of GSK plc (formerly GlaxoSmithKline plc) manage the risks of the Group at a group level, rather than at an individual statutory entity level. For this reason, the Company's Directors believe that a discussion of the Group's risks would not be appropriate for an understanding of the development, performance or position of the Company's business. The principal risks and uncertainties of the Group, which include those of the Company, are discussed in the Group's 2021 annual report which does not form part of this report.

Directors' responsibility statement

The Board of Directors approved this document on 3 August 2022.

The Directors confirm that to the best of their knowledge this unaudited condensed financial information for the six months ended 30 June 2022 has been prepared in accordance with Financial Reporting Standard 104 "Interim Financial Reporting" and that the interim management report herein includes a true and fair view of the information required by Disclosure and Transparency Rules (DTR) 4.2.7.

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Risks associated with COVID-19

The impact of the COVID-19 pandemic on the Group's performance and its principal risks has been assessed with mitigations plans put in place. Further disclosures detailing how, during the year, the COVID-19 pandemic has impacted the Group can be found on page 54 of the consolidated financial statements of the Group. Copies of the consolidated financial statements can be obtained from the Company Secretary, GSK plc, 980 Great West Road, Brentford, Middlesex, TW8 9GS.

The Directors of the Company are:

Mr I Mackay
Edinburgh Pharmaceutical Industries Limited
Glaxo Group Limited

By order of the Board

Mr A Walker
For and on behalf of Glaxo Group Limited
Corporate Director
3 August 2022

Internet

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

GlaxoSmithKline Capital plc

Income statement for the half year ended 30 June 2022

	Note	Period ended 30 June 2022 £'000	Period ended 30 June 2021 £'000
Other operating income / (expense)	2	1,810	(1,197)
Finance income	3	221,731	224,460
Finance expense	4	(214,093)	(215,009)
Operating profit		9,448	8,254
Profit before taxation		9,448	8,254
Taxation on profit	5	(1,795)	(1,569)
Profit for the financial period		7,653	6,685

GlaxoSmithKline Capital plc

Statement of comprehensive income for the half year ended 30 June 2022

	Period ended 30 June 2022 £'000	Period ended 30 June 2021 £'000
Profit for the financial period	7,653	6,685
Items that may be subsequently reclassified to the income statement:		
Fair value movements on cash flow hedges	-	-
Reclassification of cash flow hedges to the income statement	1,769	1,851
Deferred tax on fair value movements on cash flow hedges	(336)	46
Other comprehensive income for the financial period	1,433	1,897
Total comprehensive income for the financial period	9,086	8,582

GlaxoSmithKline Capital plc

Balance sheet as at 30 June 2022

	Note	30 June 2022 £'000	31 December 2021 £'000
Non-current assets			
Deferred tax assets		4,028	4,364
Loans and receivables	6	12,689,880	12,931,472
Total non-current assets		12,693,908	12,935,836
Current assets			
Loans and receivables	6	724,127	2,682,990
Prepayments and accrued income	7	99,477	142,579
Cash and cash equivalents		1	4
Total current assets		823,605	2,825,573
Total assets		13,517,513	15,761,409
Current liabilities			
Trade and other payables	8	-	(4,196)
Corporation tax		(4,874)	(3,079)
Accruals and deferred income	10	(90,492)	(134,512)
Short-term borrowings	9	(643,647)	(2,595,811)
Total current liabilities		(739,013)	(2,737,598)
Net current assets		84,592	87,975
Total assets less current liabilities		12,778,500	13,023,811
Non-current liabilities			
Long-term borrowings	9	(12,663,428)	(12,917,825)
Total non-current liabilities		(12,663,428)	(12,917,825)
Total liabilities		(13,402,441)	(15,655,423)
Net assets		115,072	105,986
Equity			
Called up share capital	13	100	100
Other reserves		(11,657)	(13,090)
Retained earnings		126,629	118,976
Total equity		115,072	105,986

GlaxoSmithKline Capital plc

Statement of changes in equity for the half year ended 30 June 2022

	Called up share capital £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 January 2021	100	(17,141)	105,849	88,808
Profit for the financial period	-	-	6,685	6,685
Other comprehensive income for the financial period	-	1,897	-	1,897
At 30 June 2021	100	(15,244)	112,534	97,390

	Called up share capital £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 January 2022	100	(13,090)	118,976	105,986
Profit for the financial period	-	-	7,653	7,653
Other comprehensive income for the financial period	-	1,433	-	1,433
At 30 June 2022	100	(11,657)	126,629	115,072

GlaxoSmithKline Capital plc

Cash flow statement for the half year ended 30 June 2022

	Note	Period ended 30 June 2022 £'000	Period ended 30 June 2021 (restated)* £'000
Cash flows from operating activities			
Operating profit		9,448	8,254
Adjustments reconciling operating profit to operating cash flows	12	3,458	3,294
Taxation paid		-	-
Net cash inflow from operating activities		12,906	11,548
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		(2,813,895)	(533,048)
Loans provided to Group undertakings		-	-
Loan repayments received from Group undertakings		2,795,017	531,715
(Increase) / decrease in current accounts with Group undertakings		5,969	(10,215)
Net cash outflow from financing activities		(12,909)	(11,548)
Net movement in cash in the period		(3)	-
Cash at beginning of period		4	4
Movement in cash		-	-
Cash at end of period		1	4

* The 2021 comparatives are restated as the profit for the financial period had been used instead of operating profit in the interim 2021 accounts, with the tax charge for the year adjusted in Adjustments reconciling operating profit to operating cash flows.

GlaxoSmithKline Capital plc

Notes to the financial statements for the half year ended 30 June 2022

1 Accounting presentation and policies

This unaudited Results Announcement containing condensed financial information for the six months ended 30 June 2022 is prepared in accordance with Financial Reporting Standard 104 "Interim Financial Reporting" using the recognition and measurement requirements of Financial Reporting Standard 101 "Reduced Disclosure Framework" and in accordance with the Listing Rules of the UK Listing Authority. The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements.

2 Operating profit

	Period ended 30 June 2022 £'000	Period ended 30 June 2021 £'000
The following items have been credited / (charged) in operating profit:		
Exchange gains/(losses) on foreign currency transactions	1,810	(1,197)

3 Finance income

	Period ended 30 June 2022 £'000	Period ended 30 June 2021 £'000
Interest income arising from loans with Group undertakings	221,731	224,460

4 Finance expense

	Period ended 30 June 2022 £'000	Period ended 30 June 2021 £'000
Interest expense arising on financial liabilities at amortised cost	(212,324)	(213,158)
Reclassification of cash flow hedge from other comprehensive income	(1,769)	(1,851)
Total finance expense	(214,093)	(215,009)

5 Taxation

	Period ended 30 June 2022 £'000	Period ended 30 June 2021 £'000
Income tax expense on ordinary activities		
Current tax:		
UK corporation tax at 19% (2021: 19%)	(1,795)	(1,569)
Total current tax	(1,795)	(1,569)
Total tax (expense) / credit included in other comprehensive income		
Deferred tax:		
Fair value movements on cash flow hedges	(336)	46
Total tax (expense) / credit included in other comprehensive income	(336)	46

6 Trade and other receivables

	30 June 2022 £'000	31 December 2021 £'000
Amounts due within one year		
Amounts owed by Group undertakings	724,127	2,682,990
	724,127	2,682,990
Amounts due after more than one year		
Long term deposits	114	176
Amounts owed by Group undertakings - loans	12,689,766	12,931,296
	12,689,880	12,931,472
	13,414,007	15,614,462

Amounts due within one year are deposits with Group undertakings of £82,098,447 (2021: £97,699,618) which are unsecured, repayable within one year and earn a market rate of interest (based on benchmark risk-free rate applicable to each currency minus 0.025%) that is consistent with the Group's policy.

Amounts due within one year also include the net proceeds of bond issuances that have been advanced as loans to Group undertakings of £642,028,398 (2021: £4,224,161,513) which are unsecured with an interest rate of 0.361%.

Amounts due after more than one year include the net proceeds of bond issuances that have been advanced as loans to Group undertakings, which are unsecured with fixed interest charged between 0.103% and 6.50% per annum and repayable at maturity dates between 2023 and 2045.

Amounts due after more than one year also include a call account with GlaxoSmithKline Finance plc of £115,236,714 (2021: £81,724,873) which is unsecured, repayable on demand and earns a market rate of interest (based on benchmark risk-free rate applicable to each currency minus 0.05%) which is consistent with the Group's policy. The call account balance is classified as a non-current asset as the amounts are not expected to be settled within the year.

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Notes to the financial statements for the half year ended 30 June 2022

7 Prepayments and accrued income

	30 June 2022	31 December 2021
	£'000	£'000
Amounts due within one year	99,477	142,579

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

8 Trade and other payables

	30 June 2022	31 December 2021
	£'000	£'000
Amounts falling due within one year		
Amounts owed to Group undertakings	-	(4,196)
	-	(4,196)

9 Borrowings

	30 June 2022	31 December 2021
	£'000	£'000
Amounts falling due within one year		
Loans payable:		
€ European Medium Term Notes	(643,647)	-
US\$ Medium Term Notes	-	(2,595,811)
	(643,647)	(2,595,811)
Amounts falling due after more than one year		
Loans payable:		
€ European Medium Term Notes	(4,452,638)	(4,982,138)
£ European Medium Term Notes	(5,538,959)	(5,537,026)
US\$ Medium Term Notes	(2,671,831)	(2,398,661)
	(12,663,428)	(12,917,825)
Total borrowings	(13,307,075)	(15,513,636)
Maturity of borrowings	30 June 2022	31 December 2021
	£'000	£'000
In one year or less, or on demand		
2.850% US\$ US Medium Term Note 2022	-	(1,483,306)
2.875% US\$ US Medium Term Note 2022	-	(1,112,505)
0.125% € European Medium Term Note 2023	(643,647)	-
	(643,647)	(2,595,811)
In more than one year, but not more than two years		
0% € European Medium Term Note 2023	(429,421)	(419,963)
0.125% € European Medium Term Note 2023	-	(629,193)
0.534% US\$ US Medium Term Note 2023	(1,031,894)	(926,473)
3.000% US\$ US Medium Term Note 2024	(823,010)	-
	(2,284,325)	(1,975,629)
In more than two years, but not more than five years		
1.000% € European Medium Term Note 2026	(600,115)	(586,784)
1.250% € European Medium Term Note 2026	(856,660)	(837,538)
1.375% € European Medium Term Note 2024	(855,705)	(836,250)
3.000% US\$ US Medium Term Note 2024	-	(738,765)
4.000% € European Medium Term Note 2025	(641,446)	(626,915)
	(2,953,926)	(3,626,252)
In more than five years		
3.375% £ European Medium Term Note 2027	(595,740)	(595,392)
1.25% £ European Medium Term Note 2028	(743,148)	(742,631)
1.375% € European Medium Term Note 2029	(427,188)	(417,642)
3.375% US\$ US Medium Term Note 2029	(816,927)	(733,423)
1.750% € European Medium Term Note 2030	(642,101)	(627,853)
5.250% £ European Medium Term Note 2033	(984,776)	(984,305)
1.625% £ European Medium Term Note 2035	(743,910)	(743,701)
6.375% £ European Medium Term Note 2039	(694,790)	(694,705)
5.250% £ European Medium Term Note 2042	(987,313)	(987,136)
4.250% £ European Medium Term Note 2045	(789,284)	(789,156)
	(7,425,177)	(7,315,944)
Total borrowings	(13,307,075)	(15,513,636)

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Notes to the financial statements for the half year ended 30 June 2022

10 Accruals and deferred income

	30 June 2022	31 December 2021
	£'000	£'000
Amounts falling due within one year	(90,492)	(134,512)

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

11 Fair value of financial assets and liabilities

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

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

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

The carrying amounts and the fair values of the Company's financial assets and liabilities at 30 June 2022 and 31 December 2021 are illustrated below.

	30 June 2022		31 December 2021	
	Carrying value £'000	Fair value £'000	Carrying value £'000	Fair value £'000
Cash and cash equivalents	1	1	4	4
Loans and receivables:				
Other receivables	99,477	99,477	142,579	142,579
Amounts owed by Group undertakings	13,413,893	13,613,240	15,614,286	17,514,138
Total financial assets	13,513,371	13,712,718	15,756,869	17,656,721
Financial liabilities measured at amortised cost:				
£ European Medium Term Notes	(5,096,285)	(5,986,902)	(4,982,138)	(7,310,534)
€ European Medium Term Notes	(5,538,959)	(5,007,804)	(5,537,026)	(5,310,940)
US\$ US Medium Term Notes	(2,671,831)	(2,618,534)	(4,994,472)	(5,127,133)
	(13,307,075)	(13,613,240)	(15,513,636)	(17,748,607)
Other payables	(90,492)	(90,492)	(138,708)	(138,708)
Total financial liabilities	(13,397,567)	(13,703,732)	(15,652,344)	(17,887,315)
Net financial assets	115,804	8,986	104,525	(230,594)

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

Financial liabilities measured at amortised cost for which the fair value of £13,613,240,000 (31 December 2021: £17,748,607,000) as disclosed in the table above are categorised as Level 1, where quoted prices in active markets are used. Similarly, amounts owed by Group undertakings, which include the net proceeds of bond issuances advanced as loans, also approximate to the fair value of these financial liabilities. All other assets and liabilities approximate to the carrying amount.

12 Adjustments reconciling operating profit to operating cash flows

	Period ended 30 June 2022	Period ended 30 June 2021
	£'000	£'000
Operating profit	9,448	8,254
Adjustments:		
Decrease/ (increase) in other receivables	43,164	37,570
(Decrease) / increase in other payables	(48,215)	(42,648)
Exchange adjustments	(573)	1,114
Amortisation of bond costs	7,313	5,407
Fair value movements on cash flow hedges	-	-
Reclassification of cash flow hedges to the income statement	1,769	1,851
	3,458	3,294
Net cash (outflow) / inflow from operating activities	12,906	11,548

13 Called up share capital

	30 June 2022	31 December 2021	30 June 2022	31 December 2021
	Number of shares	Number of shares	£'000	£'000
Authorised				
Ordinary shares of £1 each (31 December 2021: £1 each)	100,000	100,000	100	100
Issued and fully paid				
Ordinary shares of £1 each (31 December 2021: £1 each)	100,000	100,000	100	100

14 Related party transactions

As a wholly owned subsidiary of the ultimate parent company, GSK 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.