

**GlaxoSmithKline Finance plc**  
(Registered number: 242686)

**Directors' report and financial statements**

**for the year ended 31 December 2012**

**Registered office address:**

980 Great West Road  
Brentford  
Middlesex  
England  
TW8 9GS

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**GlaxoSmithKline Finance plc**

**Directors' report and financial statements**

**for the year ended 31 December 2012**

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**GlaxoSmithKline Finance plc**  
**(Registered Number 242686)**

**Directors' report for the year ended 31 December 2012**

The Directors submit their report and the audited financial statements for the year ended 31 December 2012

**Principal activities**

GlaxoSmithKline Finance plc (the "Company") provides financial services to other companies within the GlaxoSmithKline Group of companies, which consist of GlaxoSmithKline plc and its subsidiaries (the "Group"), that encompasses borrowing through the issue of short term securities, taking deposits, making advances, investing in short term securities and undertaking foreign currency transactions. 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 £1,673,758,000 (2011 profit of £8,738,965,000). The Directors are of the opinion that the current level of activity and the year end financial position are satisfactory and will remain so in the foreseeable future.

The profit for the year of £1,673,758,000 will be transferred to reserves (2011 profit for the year of £8,738,965,000 transferred to reserves).

**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 2012 Annual Report, which does not form part of this report.

**Financial risk management**

The Company uses a variety of derivative financial instruments to manage the Group's foreign exchange risks.

The Company is primarily responsible for centrally managing the Group's liquidity entering into loans with other companies within the Group and investing surplus Group funds with external parties.

The Company invests centrally managed liquid assets in government bonds, short-term corporate debt instruments with a minimum short-term credit rating of A-1/P-1, money market funds with a credit rating of AAA/Aaa and other structured investments (credit ratings shown are from Standard and Poor's and Moody's Investors' Services respectively).

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, dividends and repayment of maturing debt. The Group will from time to time have additional demands for finance, such as for share purchases and acquisitions.

**Key performance indicators (KPIs)**

The Directors of the Group manage the Group's operations on a segmental 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 GlaxoSmithKline plc 2012 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 4.

The Company declared and paid a dividend of £8,500,000,000 on the 29th June 2012.

The Company received a dividend of £10,150,000,000 from Setfirst Limited on the 12th December 2012.

A final dividend of 40p per ordinary share amounting to £7,148,000,000 was declared and paid on 26th June 2013.

**GlaxoSmithKline Finance plc**  
**(Registered Number 242686)**

**Directors' report for the year ended 31 December 2012**

**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  
The Wellcome Foundation Limited  
Mr S Dingemans  
Dr S Vicentini

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' 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 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 reason of his engagement in the business of the Company.

**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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**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.

By order of the Board



B Kelly-Bisla  
For and on behalf of Edinburgh Pharmaceutical Industries Limited  
Corporate Director  
26 June 2013

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GLAXOSMITHKLINE FINANCE PLC**

We have audited the financial statements of GlaxoSmithKline Finance plc for the year ended 31 December 2012 which comprise the Profit and Loss Account, 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 Directors' Responsibilities Statement set out on page 2 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. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **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 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter 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 senior statutory auditor's name should not be stated.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
26 June 2013

GlaxoSmithKline Finance plc

**Profit and loss account  
for the year ended 31 December 2012**

	Notes	2012 £'000	2011 £'000
Turnover		30,792	30,293
<b>Gross Profit</b>		<b>30,792</b>	<b>30,293</b>
Administrative expenses		(4,999)	(1,602)
<b>Operating profit</b>	3	<b>25,793</b>	<b>28,691</b>
Income from shares in Group undertakings	4	10,150,000	8,791,895
<b>Profit before interest and taxation</b>		<b>10,175,793</b>	<b>8,820,586</b>
Interest receivable and similar income	5	309,327	320,715
Interest payable and similar charges	6	(303,573)	(408,796)
Net interest receivable/(payable)		5,754	(88,081)
<b>Profit on ordinary activities before taxation</b>		<b>10,181,547</b>	<b>8,732,505</b>
Taxation on profit on ordinary activities	7	(7,789)	6,460
<b>Profit for the financial year</b>		<b>10,173,758</b>	<b>8,738,965</b>
Dividends paid	8	(8,500,000)	-
<b>Retained profit for the financial year</b>	14	<b>1,673,758</b>	<b>8,738,965</b>

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 taxation and the profit for the financial year stated above and their historical cost equivalents

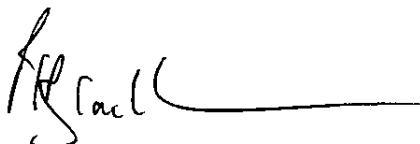
The Company has no recognised gains or losses during either the current year or prior year other than those included in the results above and therefore no separate statement of recognised gains and losses has been presented

**GlaxoSmithKline Finance plc**

**Balance sheet  
as at 31 December 2012**

	Notes	2012 £'000	2011 £'000
<b>Fixed assets</b>			
Investments	9 and 24	42,646,119	42,646,119
		42,646,119	42,646,119
<b>Current assets</b>			
Debtors	10	47,605,528	33,688,681
Current asset investments	12	647,674	3,220,645
Cash at bank and in hand	12	144,970	-
		48,398,172	36,909,326
<b>Creditors amounts falling due within one year</b>	11	(37,777,262)	(27,962,174)
<b>Net current assets</b>		10,620,910	8,947,152
<b>Total assets less current liabilities</b>		53,267,029	51,593,271
<b>Net assets</b>		53,267,029	51,593,271
<b>Capital and reserves</b>			
Called up share capital	13	17,870,000	17,870,000
Profit and loss account	14	35,397,029	33,723,271
<b>Total shareholders' funds</b>	15	53,267,029	51,593,271

The financial statements on pages 4 to 11 were approved by the Board of Directors on 26 June 2013 and were signed on its behalf by



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

## GlaxoSmithKline Finance plc

### Notes to the financial statements for the year ended 31 December 2012

#### 1 Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below

##### (a) Basis of accounting

These financial statements have been prepared on the going concern basis under the historical cost convention, the accounting policies set out below, which have been applied consistently, and in accordance with the Companies Act 2006 and applicable UK Accounting Standards

##### (b) Turnover

Turnover represents margins made on Treasury activities. Further detail on Treasury policy is given in Note 2. The company operates within one business sector (finance sector) and geographical sector (UK)

##### (c) 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 foreign 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.

##### (d) Interest

Interest receivable and similar income and interest payable and similar charges are recognised on an accruals basis.

##### (e) 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.

##### (f) Fixed asset investments

Fixed asset investments are stated in the balance sheet at cost less any provision made for impairment in value. Such investments are classified as current assets when regarded as available for sale.

##### (g) Impairment of fixed assets

The carrying values of fixed assets are reviewed for impairment when there is an indication that the assets might be impaired. Any provision for impairment is charged against profit in the year concerned. Impairment is determined by reference to the higher of net realisable value and value in use, which is measured by reference to discounted future cash flows. Any provision for impairment is charged to the profit and loss account.

##### (h) Taxation

Current tax is provided at the amounts expected to be paid applying tax rates that have been enacted or substantially enacted at the balance sheet date. The Company accounts for taxation which is deferred or accelerated by reason of timing differences which have originated but not reversed by the balance sheet date. Deferred tax assets are recognised as recoverable and therefore only recognised when on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried-forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse.

##### (i) Current asset investments

Current asset investments are stated at the lower of cost and net realisable value. Interest income is taken to the profit and loss account on an accrual basis.

##### (j) Derivative financial instruments

Derivative financial instruments are used to manage exposure to market risks from treasury operations. The principal derivative instruments used by the Company are foreign currency swaps and foreign exchange forward contracts. The Company does not hold or issue derivative financial instruments for trading or speculative purposes.

Derivative financial instruments are initially recognised in the balance sheet at fair value on inception and then remeasured at subsequent reporting dates (being the revaluation to rates of exchange ruling at the balance sheet date). Fair value movements are recognised in the profit and loss account. The swap interest receivable or payable is recognised on an accruals basis.

#### 2 Treasury Policy

The Group Treasury policies noted below are those operated by the Company.

The Company's role in managing the Group objectives is primarily to manage the Group's internal funding requirements and the resulting financial risk. In addition, the Company has been involved in external funding through the US Commercial Paper programme.

##### (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.

## GlaxoSmithKline Finance plc

### Notes to the financial statements for the year ended 31 December 2012

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 activities are governed by policies and procedures approved by the Board and monitored by a Treasury Management Group. 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, dividends and repayment of maturing debt. The Group will from time to time have additional demands for finance, such as for share purchases and acquisitions.

#### (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.

Financial instruments comprise cash and liquid resources, borrowings and spot foreign exchange contracts.

A number of derivative financial instruments are used to manage the market risks from Treasury operations. Derivative instruments, principally comprising foreign exchange forward contracts and foreign currency swaps, are used to swap borrowings and liquid assets into the currencies required for Group purposes and to manage exposure to funding risks from changes in foreign exchange 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 generally 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 and 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) Funding, maturity and counterparty risk

The Group invests centrally managed liquid assets in government bonds, short-term corporate debt instruments with a minimum short-term credit rating of A-1/P-1, money market funds with a credit rating of AAA/Aaa and other structured investments (credit ratings shown are from Standard and Poor's and Moody's Investors' Services respectively).

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.

#### (e) Foreign exchange risk management

In the Group, foreign currency transaction exposure arising on normal trade flows in respect of both external and intra-Group trade, is not hedged. The Group's policy is to minimise the exposure of overseas operating subsidiaries to transaction risk by matching local currency income with local currency costs. For this purpose, intra-Group trading transactions are matched centrally and intra-Group payment terms are managed to reduce risk. Exceptional foreign currency cash flows are hedged selectively under the management of Corporate Treasury.

A significant proportion of Group borrowings, including the commercial paper programme, is in US dollars to benefit from the liquidity of US\$ denominated capital markets. Certain of these and other borrowings are swapped into other currencies as required for Group purposes. The Group seeks to denominate borrowings in the currencies of its principal assets and cash flows. Borrowings denominated in, or swapped into, foreign currencies which match investments in overseas Group assets are treated as a hedge against the relevant net assets. Derivative instruments are accounted as hedges of the relevant assets or liabilities.

#### (f) Equity risk management

Equity investments classified as current assets are available-for-sale and the Group manages disposals to meet overall business requirements as they arise. The Group regularly monitors the value of its equity investments and only enters into hedges selectively with the approval of the Board of GlaxoSmithKline plc.

GlaxoSmithKline Finance plc

Notes to the financial statements for the year ended 31 December 2012

3 Operating profit

	2012 £'000	2011 £'000
The following items have been charged in operating profit		
Management fee	(4,999)	(1,602)

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 £9,911 (2011 £9,622)

4 Income from shares in Group undertakings

	2012 £'000	2011 £'000
Dividends received		
Intercompany dividend received - Setfirst Limited	10,150,000	5,500,000
Intercompany dividend received - SmithKline Beecham Limited	-	75,000
Intercompany dividend received - Glaxo Group Limited	-	975,000
Intercompany dividend received - GlaxoSmithKline Holdings (Americas) Inc	-	2,241,895
	10,150,000	8,791,895

5 Interest receivable and similar income

	2012 £'000	2011 £'000
Interest income on bank deposits	3,865	8,705
On loans with Group undertakings	305,462	295,579
Net interest income on derivative financial instruments	-	16,431
	309,327	320,715

6 Interest payable and similar charges

	2012 £'000	2011 £'000
On bank loans and overdrafts	(942)	(95)
On loans with Group undertakings	(294,033)	(408,701)
Net interest expense on derivative financial instruments	(8,598)	-
	(303,573)	(408,796)

7 Taxation on profit on ordinary activities

	2012 £'000	2011 £'000
Taxation charge/(credit) based on profits for the year		
Current Tax		
UK corporation tax at 24.5% (2011 26.5%)	7,652	(6,500)
Under/(over) provision in previous periods	137	(1)
Overseas tax	-	41
Current tax charge/(credit)	7,789	(6,460)

The tax assessed for the year is lower (2011 lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2012 of 24.5% (2011 26.5%). The differences are explained below

	2012 £'000	2011 £'000
Reconciliation of current taxation charge		
Profit on ordinary activities at the UK statutory rate 24.5% (2011 26.5%)	2,494,200	2,313,515
Overseas Tax	-	41
Income not taxable	(2,486,473)	(2,329,250)
Other permanent differences	-	9,347
Prior year adjustments to current tax	137	(1)
Deemed Interest Deduction	(75)	(101)
Other differences	-	(11)
Current tax credit for the year	7,789	(6,460)

The standard rate of corporation tax in the UK changed from 26% to 24% with effect from 1 April 2012. Accordingly, the Company's profits for this accounting period are taxed at an effective rate of 24.5%.

No provision is required for deferred tax.

8 Dividends paid

The Company paid a dividend of £8,500,000,000 (48p per ordinary share) to its parent company during the year ended 31 December 2012 (year ended 31 December 2011 £nil).

GlaxoSmithKline Finance plc

Notes to the financial statements for the year ended 31 December 2012

9 Fixed asset investments

	Subsidiary undertakings	
	2012	2011
	£'000	£'000
Cost at 1 January	42,646,119	42,646,119
Cost at 31 December	42,646,119	42,646,119
Carrying value at 31 December	42,646,119	42,646,119

The Directors believe that the carrying value of the investments is supported by their underlying net assets

Details of the principal subsidiary undertakings of the Company as at 31 December 2012 are given in Note 24

10 Debtors

	2012	2011
	£'000	£'000
<b>Amounts due within one year</b>		
Amounts owed by Group undertakings	47,532,432	33,490,514
Corporation Tax	-	6,500
Derivative financial assets (Note 16)	73,056	191,564
Prepayments and accrued income	40	103
	<b>47,605,528</b>	<b>33,688,681</b>

The corporation tax debtor contains amounts which will be received from fellow Group companies

11 Creditors

	2012	2011
	£'000	£'000
<b>Amounts falling due within one year</b>		
Amounts owed to Group undertakings	35,906,519	27,733,204
Corporation tax	7,652	-
Bank loans and overdrafts	1,748,011	6,338
Derivative financial liabilities (Note 16)	115,080	222,632
	<b>37,777,262</b>	<b>27,962,174</b>

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

12 Net Debt

	Book Value and Fair Market Value 2012 £'000	Book Value and Fair Market Value 2011 £'000
<b>Current assets</b>		
Cash at bank and in hand	144,970	-
Current asset investments	647,674	3,220,645
<b>Borrowings due within one year</b>		
Bank loans and overdrafts	(1,748,011)	(6,338)
	<b>(955,367)</b>	<b>3,214,307</b>

Fair Market Value given above approximates to the Book Value given the short term maturity of the disclosed instruments

# GlaxoSmithKline Finance plc

## Notes to the financial statements for the year ended 31 December 2012

### 13 Called up share capital

	2012 Number of shares	2011 Number of shares	2012 £'000	2011 £'000
<b>Authorised</b>				
Ordinary Shares of £1 each (2011 £1 each)	20,300,000,000	20,300,000,000	20,300,000	20,300,000
<b>Issued and fully paid</b>				
Ordinary Shares of £1 each (2011 £1 each)	17,870,000,000	17,870,000,000	17,870,000	17,870,000

### 14 Reserves

	Profit & Loss account £'000	Total Reserves £'000
At 1 January 2012	33,723,271	33,723,271
Profit for the financial year	1,673,758	1,673,758
At 31 December 2012	35,397,029	35,397,029

### 15 Reconciliation of movements in shareholders' funds

	2012 £'000	2011 £'000
Profit for the financial year	10,173,758	8,738,965
Dividends paid	(8,500,000)	-
Net addition to shareholders' funds	1,673,758	8,738,965
Opening shareholders' funds	51,593,271	42,854,306
Closing shareholders' funds – equity interests	53,267,029	51,593,271

### 16 Fair value of derivatives

The Company has foreign currency swaps and foreign exchange forward contracts with the following fair values at the end of the year

	2012 Book Value £'000	2012 Fair Value £'000	2011 Book Value £'000	2011 Fair Value £'000
Derivative Assets (Note 10) - foreign exchange contracts	73,056	73,497	191,564	190,590
Derivative Liabilities (Note 11) - foreign exchange contracts	(115,080)	(113,515)	(222,632)	(221,174)
	(42,024)	(40,018)	(31,068)	(30,584)

The derivatives have a maturity of less than or up to 12 months

### 17 Employees

The Company has no employees as all personnel are employed by other Group companies (2011 nil)

### 18 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 (2011 £nil). Corporate Directors received no remuneration during the year, either as executives of the Group or in respect of their services to the Company (2011 £nil).

### 19 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.

### 20 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 2012 is limited to the amount held on its accounts with the bank. No loss is expected to accrue to the Company from the agreement.

## GlaxoSmithKline Finance plc

### Notes to the financial statements for the year ended 31 December 2012

#### 21 Group financial statements

The Company is a wholly owned subsidiary of the ultimate parent company and as such has taken advantage of the exemption from preparing group financial statements under section 400 of the Companies Act 2006

#### 22 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 GlaxoSmithKline Holdings Limited.

#### 23 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.

#### 24 Principal subsidiary and associated undertakings

The principal subsidiary and associated undertakings of the Company as at 31 December 2012 are as follows:

Company	Percentage shares held	Class of shares held	Country of Incorporation
SmithKline Beecham Limited	100%	Ordinary	UK
Glaxo Group Limited	100%	Ordinary	UK
Wellcome Limited	100%	Ordinary	UK
Setfirst Limited	100%	Ordinary	UK
GlaxoSmithKline Holdings (Americas) Inc	100%	Ordinary	US
GlaxoSmithKline IHC Limited	100%	Ordinary	UK

#### 25 Post balance sheet events

On 26th June 2013, the Company declared and paid a dividend of £7,148,000,000 to its parent company GlaxoSmithKline Holdings Limited.