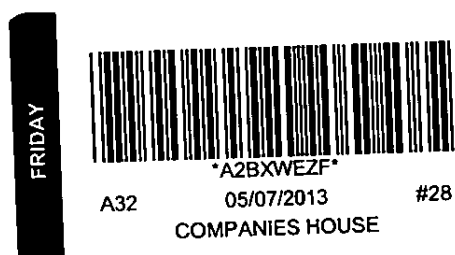


Glaxo Operations UK Limited
(Registered number: 711851)

Directors' report and financial statements
for the year ended 31 December 2012



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

Glaxo Operations UK Limited

Directors' report and financial statements

for the year ended 31 December 2012

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Glaxo Operations UK Limited
(Registered number 711851)

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

Glaxo Operations UK Limited (the "Company") operates in a single business segment. The principal activities of the Company are the manufacture and distribution of ethical human pharmaceutical products.

Review of business

The Company made a profit for the financial year of £13,476,000 (2011 profit of £38,909,000). Since 2007 there have been comprehensive business reviews at all the main UK sites, which has resulted in restructuring proposals involving the loss of over 1,000 roles. The restructuring plans were substantially complete by the end of 2012 leaving a workforce of 3,429 employees. 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. Workload will continue to vary with demand on existing products and for new product activity.

The profit for the financial year of £13,476,000 will be transferred to reserves (2011 profit for the financial year of £38,909,000 transferred to reserves).

With the exception of the continuing impact of the restructuring programmes the Directors do not envisage any change to the nature of the business in the foreseeable future.

Principal risks and uncertainties

The Directors of GlaxoSmithKline plc manage the risks of the GlaxoSmithKline plc and its subsidiaries (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.

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 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.

No dividend is proposed to the holders of Ordinary Shares in respect of the year ended 31 December 2012 (2011: £nil).

Exceptional items

The Company reported exceptional items of £29,748,000 (2011: £17,049,000) during the year relating to severance and impairment charges incurred under the new operational excellence programme impacting Montrose, Ulverston, Barnard Castle, Ware and above site manufacturing staff.

Research and development

The Company undertakes certain development activities relating to new product development and product launches.

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:

J-P Reynaud

N O'Hara - resigned on 9 April 2013

S Hepburn - appointed on 4 January 2012

M Adcock - appointed on 9 April 2013

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.

Directors' report for the year ended 31 December 2012

Directors' indemnity

Each of the Directors benefits from an indemnity given by the Company under its Articles of Association. This indemnity is in respect of liabilities incurred by the Director in the execution and discharge of his duties. In addition, each of the Directors benefits from an indemnity given by another Group undertaking, 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.

Creditor payment policy

The Company operates procedures to ensure that suppliers are paid on time. In particular, the Company seeks

- to settle terms of payment with suppliers when agreeing the terms of the transaction,
- to ensure that suppliers are made aware of the agreed terms of payment, and
- to abide by the terms of payment

The procedures include arrangements for accelerated payment of small suppliers.

Payment performance

Trade creditors at 31 December 2012 represented 51 days of annual purchases for the Company (2011: 72 days [restated]).

Fixed assets

There are no substantial differences between the market value and the balance sheet value of land and buildings held by 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.

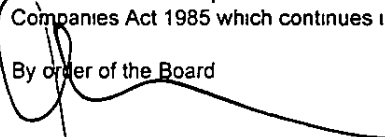
Disclosure of information to auditors

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 deemed to be re-appointed in accordance with an elective resolution made under section 386 of the Companies Act 1985 which continues in force under the Companies Act 2006.

By order of the Board


P Williamson
For and on behalf of Edinburgh Pharmaceutical Industries Limited
Assistant Company Secretary
20 June 2013

Glaxo Operations UK Limited

Independent auditors' report to the members of Glaxo Operations UK Limited

We have audited the financial statements of Glaxo Operations UK Limited 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 Statement of Directors' responsibilities 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 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 matters prescribed by the Companies Act 2006

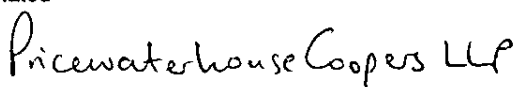
In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

The Company has passed a resolution in accordance with section 506 of the Companies Act 2006 that the auditor's name should not be stated.



PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
20 June 2013

Glaxo Operations UK Limited

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

	Notes	2012 £'000	2011 £'000
Turnover	2	762,496	825,893
Cost of sales			
Excluding exceptional items		(704,452)	(759,200)
Exceptional items	5	(29,748)	(17,049)
Cost of sales		(734,200)	(776,251)
Gross profit		28,296	49,642
Research and development expenditure		(1,935)	(2,375)
Other operating income	3	671	643
Operating profit	4	27,032	47,910
Interest receivable and similar income	6	67	605
Interest payable and similar charges	7	(1,117)	(1,669)
Profit on ordinary activities before taxation		25,982	46,846
Tax on profit on ordinary activities	8	(12,506)	(7,937)
Profit for the financial year	16	13,476	38,909

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

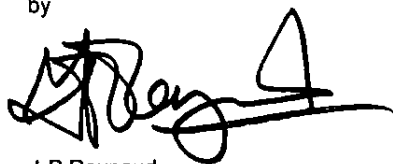
The Company has no recognised gains or losses during either the current year or the prior year other than those included in the results above and therefore no separate statement of recognised gains and losses has been presented

Glaxo Operations UK Limited

**Balance sheet
as at 31 December 2012**

	Notes	2012 £'000	2011 £'000
Fixed assets			
Tangible assets	9	387,200	372,986
Current assets			
Stocks	10	236,572	263,820
Debtors	11	443,974	440,164
Cash at bank and in hand		16,488	8,017
		697,034	712,001
Creditors amounts falling due within one year	12	(327,989)	(333,833)
Net current assets		369,045	378,168
Total assets less current liabilities		756,245	751,154
Provisions for liabilities	13	(11,975)	(20,361)
Net assets		744,270	730,793
Capital and reserves			
Called up share capital	15	625,000	625,000
Profit and loss account	16	119,270	105,793
Total shareholders' funds	17	744,270	730,793

The financial statements on pages 4 to 16 were approved by the Board of Directors on 20 June 2013 and were signed on its behalf by



J-P Reynaud
Director

Glaxo Operations UK Limited

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) 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.

(c) Turnover

Revenue is recognised in the profit and loss account when goods or services are supplied to, or made available for collection by, external customers or other Group subsidiaries against orders received. Turnover represents the net invoice value after the deduction of discounts given at the point of sale. Value added tax and other sales taxes are excluded from turnover.

(d) Other operating income

Royalty income is recognised in other operating income on an accruals basis. Other revenues are recorded as earned (or as the services are performed).

(e) Expenditure

Expenditure is recognised in respect of goods and services received when supplied in accordance with contractual terms. A provision is made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated. Shipment costs on inter-company transfers are charged to cost of sales. Restructuring costs are recognised in respect of the direct expenditures of a business reorganisation where the plans are sufficiently detailed and well advanced, and where appropriate communication to those affected has been undertaken at the balance sheet date.

(f) Research and development

Research and development expenditure is charged to the profit and loss account in the year in which it is incurred. Tangible fixed assets used for research and development are depreciated in accordance with the Company policy.

Glaxo Operations UK Limited

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

(g) Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost less provisions for depreciation or impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Costs include asset retirement obligations reflecting expenditure that will be incurred at the end of the useful economic life of each asset either to dismantle and remove the asset or to restore the site on which it is located to its original environmental condition.

The costs of acquiring and developing computer software for internal use and internet sites for external use are capitalised as a tangible fixed asset where the software or site supports a significant business system and the expenditure leads to the creation of a durable asset.

Depreciation is calculated to write off the cost of tangible fixed assets, excluding freehold land, in equal annual instalments over their expected useful lives. The normal expected useful lives of the major categories of tangible fixed assets are:

Freehold buildings	20 to 50 years
Leasehold land and buildings	The shorter of lease term and 50 years
Plant and machinery	10 to 20 years
Fixtures and equipment	3 to 10 years
ERP systems software	7 years
Computer software	3 to 5 years

Depreciation on assets in construction does not commence until the asset has been completed and is available for use.

Enterprise Resource Planning (ERP) systems software generally involves significant customisation prior to implementation and is expected to have a useful economic life of seven years, rather than the maximum five years of other computer software.

On disposal of a tangible fixed asset, the cost and related accumulated depreciation and impairments are removed from the financial statements and the net amount, less any proceeds, is taken to the profit and loss account.

(h) 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.

When there is an indication that impairment losses may no longer exist, or may have decreased, which have resulted from changes in the estimate used to determine the asset's recoverable amount since the last impairment loss was recognised, a reversal of the impairment loss will be recognised immediately in the profit and loss account.

(i) Leases

All other leases are operating leases and the annual rentals are charged against profit on a straight-line basis over the lease term.

(j) Stocks

Stocks are included in the financial statements at the lower of cost (including manufacturing overheads, where appropriate) and net realisable value. Cost is generally determined on a first in, first out basis.

Glaxo Operations UK Limited

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

(k) Taxation

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

The Company accounts for taxation which is deferred or accelerated by reason of timing differences which have originated but not reversed by the balance sheet date. Deferred tax assets are recognised as recoverable and therefore only recognised when on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax liabilities and assets are not discounted.

(l) Provisions for liabilities

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

(m) Pensions

The Company participates in group operated hybrid pension schemes for the benefit of the majority of its employees, the assets of which are held separately from those of the Company in independently administered funds. As the Company is unable to identify its share of the assets and liabilities of the group scheme, it accounts for contributions as if they were to a defined pension scheme. Contributions are charged to the profit and loss account in the year to which they relate.

2 Segmental information

Analysis of turnover by business sector

	2012 £'000	2011 £'000
Pharmaceuticals	762,496	825,893

Analysis of turnover by location of customer

	2012 £'000	2011 £'000
Europe	762,496	825,893

All other segmental information is included in the Annual Report of GlaxoSmithKline plc

3 Other operating income

	2012 £'000	2011 £'000
Exchange gain on foreign currency transactions	429	369
Other operating (expense)/income	242	274
	671	643

Glaxo Operations UK Limited

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

4 Operating profit

	2012 £'000	2011 £'000
The following items have been charged/(credited) in operating profit		
Depreciation of tangible fixed assets		
Owned assets	55,048	51,714
Leased assets	166	1,094
Impairment of tangible fixed assets	795	1,557
Reversal of impairment	(223)	(471)
Profit on disposal of fixed assets	(85)	(9)
Stocks		
Cost of stocks included in cost of sales	501,000	477,357
Write-down of stocks	5,100	2,904
Reversal of prior year write-down of stocks	(11,151)	(12,205)
Operating lease rentals		
Land and buildings	14	14
Plant, equipment and vehicles	375	451
Management fee	240,633	320,448
Audit fees		
Auditors' UK firm	185	185
Fees to auditors for other work		
Auditors' UK firm	15	15

GlaxoSmithKline Services Unlimited provides various services and facilities to the Company including finance and administrative services for which a management fee is charged. In the current year, GlaxoSmithKline Services Unlimited made a special contribution to the Group pension scheme of £366,576,000 (2011 £368,000,000) which has been allocated to the various UK operating companies in accordance with the management fee arrangement. This allocation resulted in a charge of £74,543,000 (2011 £77,480,000) to the Company in the current year which has in turn been recharged to certain other Group entities.

The charge for pension and other post-employment costs of the Group includes a credit of £395,000,000 following a change in policy relating to discretionary pension increases under certain UK pension schemes and the introduction of a limit on future pensionable pay increases in all UK pension schemes. This credit has been recharged to the various UK operating companies in accordance with the management fee arrangement. This allocation resulted in a credit of £80,323,000 in the current year which has in turn been recharged to certain other Group entities.

5 Exceptional items

	2012 £'000	2011 £'000
The following items have been charged as exceptional items		
Costs associated with significant restructuring	29,748	17,049

Amounts relate to severance and impairment charges incurred under the new operational excellence programme impacting Montrose, Ulverston, Barnard Castle, Ware and above site manufacturing staff. In 2012 there were costs associated with starting a new programme to improve efficiencies covering material costs, labour and overheads. The Programme will run till 2015.

The tax effect of the exceptional items is a credit of £7,288,000 (2011 credit of £4,300,000).

6 Interest receivable and similar income

	2012 £'000	2011 £'000
Interest income on bank deposits	67	605

Glaxo Operations UK Limited

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

7 Interest payable and similar charges

	2012 £'000	2011 £'000
On bank loans and overdrafts	(80)	(611)
On loans with Group undertakings	(1,037)	(1,031)
On finance leases	-	(27)
	(1,117)	(1,669)

8 Tax on profit on ordinary activities

	2012 £'000	2011 £'000
Tax charge based on profit for the financial year		
Current tax		
UK corporation tax at 24.5% (2011: 26.5%)	(2,905)	(6,822)
Under/(over) provision in previous years	(10,072)	4,551
Total current tax	(12,977)	(2,271)
Deferred tax		
Origination and reversal of timing differences	(5,543)	(6,584)
Adjustments in respect of previous years	6,353	1,181
Change in tax rate - impact on deferred tax	(339)	(263)
Total deferred tax	471	(5,666)
Tax on profit on ordinary activities	(12,506)	(7,937)

The tax assessed for the year is higher (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 tax charge		
Profit on ordinary activities at the UK statutory rate 24.5% (2011: 26.5%)	(6,365)	(12,412)
Effects of		
Other permanent differences	(2,298)	(710)
Adjustments to tax charge in respect of previous years	(10,072)	4,551
Capital allowances in excess of depreciation	3,931	4,047
Other timing differences	1,827	2,253
Current tax charge for the year	(12,977)	(2,271)

The main rate of UK corporation tax reduced from 26% to 24% with effect from 1 April 2012. Legislation to further reduce the main rate of corporation tax from 24% to 23% with effect from 1 April 2013 was included in the Finance Act 2012. These tax changes became substantively enacted on 26 March 2012 and 3 July 2012 respectively, and hence the effect of the changes on the deferred tax balances has been included in the figures above.

The Chancellor also proposed changes to further reduce the main rate of UK corporation tax from 23% to 21% from 1 April 2014 and to 20% from 1 April 2015 on 5 December 2012 and 20 March 2013 respectively. These changes have not yet been substantively enacted and therefore are not included in the figures above.

The overall effect of the further changes from 23% to 20%, if these applied to the deferred tax balance at 31 December 2012, would be to reduce the deferred tax liability by approximately £214,000.

Glaxo Operations UK Limited

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

9 Tangible assets

	Land and buildings £'000	Plant, equipment and vehicles £'000	Assets in construction £'000	Total £'000
Cost				
At 1 January 2012	195,115	1,243,517	126,501	1,565,133
Additions	-	774	69,315	70,089
Disposals	(153)	(645)	-	(798)
Asset write down	(494)	(26,368)	-	(26,862)
Intra-group transfer	-	(386)	(76)	(462)
Reclassifications	5,760	26,099	(31,859)	-
At 31 December 2012	200,228	1,242,991	163,881	1,607,100
Accumulated depreciation				
At 1 January 2012	(121,301)	(991,661)	-	(1,112,962)
Charge for the year	(6,873)	(48,341)	-	(55,214)
Disposals	32	644	-	676
Asset write down	314	24,719	-	25,033
Intra-group transfer	-	495	-	495
Reclassifications adjustment	(357)	(3,438)	-	(3,795)
At 31 December 2012	(128,185)	(1,017,582)	-	(1,145,767)
Impairment				
At 1 January 2012	(10,054)	(67,304)	(1,827)	(79,185)
Impairment loss	(14)	(756)	(25)	(795)
Reversal	43	155	25	223
Asset write down	91	1,738	-	1,829
Reclassifications adjustment	357	3,438	-	3,795
At 31 December 2012	(9,577)	(62,729)	(1,827)	(74,133)
Total depreciation and impairment at 31 December 2012	(137,762)	(1,080,311)	(1,827)	(1,219,900)
Net book value at 1 January 2012	63,760	184,552	124,674	372,986
Net book value at 31 December 2012	62,466	162,680	162,054	387,200

The net book value at 31 December 2012 of the Company's land and buildings comprises freehold properties of £62,466,000 (at 1 January 2012 £63,760,000). There were no properties with leases of less than 50 years (at 1 January 2012 £nil).

Included in plant, equipment and vehicles at 31 December 2012 are leased assets with a cost of £2,290,000 (at 1 January 2012 £11,573,000), accumulated depreciation of £1,131,000 (at 1 January 2012 £10,249,000) and a net book value of £1,159,000 (at 1 January 2012 £1,324,000).

The impairment provision at 1 January 2012 of £79,185,000 (2011 £82,640,000) relates to an impairment previously booked against plant and equipment held at the Ulverston, Montrose and Barnard Castle facilities. The current year charge mainly relates to the Ware site (£607,000) for the impairment of specific assets associated with New Product Introduction activities. (By their nature new product activities carry technical, regulatory, commercial and site sourcing risk). The remaining impairment charge relates to the Barnard Castle, Ulverston and Montrose sites. The method used to calculate impairment is to compare the value in use against the carrying value of the assets. The discount rate taken to arrive at the value in use was 7% (2011 7%).

The asset write down in 2012 is mainly due to the disposal of redundant and decommissioned assets at the Ware site (£1,134,000). The ongoing review of impairments resulted in a small reversal at Ulverston and Montrose.

The reclassification adjustment corrects a previous misallocation between accumulated depreciation and accumulated impairment losses. The net book value of fixed assets is unaffected by this amendment.

Glaxo Operations UK Limited

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

10 Stocks

	2012 £'000	2011 £'000
Raw materials and consumables	50,727	88,962
Work in progress	124,428	142,590
Finished goods	61,417	32,268
	236,572	263,820

The replacement cost of stocks is not materially different from original cost

11 Debtors

	2012 £'000	2011 £'000
Amounts due within one year		
Amounts owed by Group undertakings	386,740	397,092
Other debtors	7,734	6,692
Prepayments and accrued income	30,677	25,574
	425,151	429,358
Amounts due after more than one year		
Prepayments and accrued income	18,823	10,806
	443,974	440,164

12 Creditors

	2012 £'000	2011 £'000
Amounts falling due within one year		
Bank loans and overdrafts	16,479	8,016
Trade creditors	73,250	64,606
Amounts owed to Group undertakings	170,882	199,582
Corporation tax	1,640	6,067
Other creditors	19,488	19,366
Accruals and deferred income	46,251	36,196
	327,989	333,833

No security is provided in respect of amount payable to creditors

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

Amounts owed to Group undertakings are unsecured and repayable on demand

Glaxo Operations UK Limited

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

13 Provisions for liabilities

	Deferred taxation £'000	Operational excellence £'000	Manufacturing restructuring £'000	Other provisions £'000	Total £'000
At 1 January 2012	2,110	15,835	108	2,308	20,361
Charge/(Credit) for the year	(471)	2,896	-	99	2,524
Utilised	-	(9,641)	(38)	(242)	(9,921)
Reversed/released	-	(150)	-	(839)	(989)
At 31 December 2012	1,639	8,940	70	1,326	11,975

The operational excellence restructuring provision relates to the cost of severance, pension augmentation and decommissioning programmes at Montrose, Ulverston, Barnard Castle, Ware and the above site manufacturing staff. The manufacturing restructuring provision and other provisions mainly relate to restructuring and reorganisation at the Montrose site that was commenced before the GSK operational excellence programme was announced.

14 Deferred tax liability

	2012 £'000	2011 £'000
Accelerated capital allowances	(3,992)	(6,646)
Other net timing differences	2,353	4,536
	(1,639)	(2,110)

Deferred tax liability

	Total £'000
At 1 January 2012	(2,110)
Origination and reversal of timing differences	(5,543)
Adjustments in respect of previous years	6,353
Change in tax rate - impact on deferred tax	(339)
At 31 December 2012	(1,639)

15 Called up share capital

	2012 Number of shares	2011 Number of shares	2012 £'000	2011 £'000
Authorised				
Ordinary Shares of 100p each (2011 100p each)	625,000,000	625,000,000	625,000	625,000
Issued and fully paid				
Ordinary Shares of 100p each (2011 100p each)	625,000,000	625,000,000	625,000	625,000

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

16 Reserves

	Profit and loss account £'000
At 1 January 2012	105,793
Profit for the financial year	13,476
At 31 December 2012	119,270

17 Reconciliation of movements in shareholders' funds

	2012 £'000	2011 £'000
Profit for the financial year	13,476	38,909
Opening shareholders' funds	730,793	691,884
Closing shareholders' funds	744,270	730,793

18 Commitments

Capital commitments	2012 £'000	2011 £'000
Contracted for but not provided in the financial statements		
Tangible fixed assets	9,695	17,928
At 31 December 2011, the Company had annual commitments under non-cancellable operating leases expiring as follows		
	2012 £'000	2011 £'000
Operating leases on land and buildings which expire		
After five years	14	14
Operating leases on plant, equipment and vehicles which expire		
In one year or less	111	31
Between one and five years	43	151
After five years	42	-
	196	182
Purchase commitments	2012 £'000	2011 £'000
Purchase commitments contracted for but not provided in the financial statements	33,206	6,312

The Company has entered into several take or pay contracts for pharmaceutical stocks. These take or pay contracts are for terms varying between one and three years.

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

19 Contingent liabilities

Group banking arrangement

The Company, together with fellow Group undertakings has entered into a Group banking arrangement with the Company's principal bank. The bank holds the right to pay and apply funds from any account of the Company to settle any indebtedness to the bank of any other party to this agreement. The Company's maximum potential liability as at 31 December 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.

20 Employees

All personnel 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.

	2012 £'000	2011 £'000
Employee costs included within the management fee		
Wages and salaries	204,651	204,526
Severance costs	3,026	(223)
Social security costs	16,121	15,342
Share based payments	15,761	14,859
	239,559	234,504

The average number of persons employed by the Company (including Directors) during the year

	2012	2011
Manufacturing	3,429	3,440

GlaxoSmithKline Services Unlimited operates hybrid pension schemes for all of the Group's UK employees. These schemes include defined benefit arrangements where the assets are held independently of the Group's finances and which are funded partly by contributions from members and partly by contributions from GlaxoSmithKline Services Unlimited at rates advised by independent professionally qualified actuaries.

The Company accounts for pension costs in accordance with FRS 17 'Retirement benefits'. The management fee for GlaxoSmithKline Services Unlimited for employee services provided to the Company includes an element relating to the pension arrangements for the Group's UK employees calculated as if the arrangements were on a defined contribution basis. The underlying assets and liabilities of the schemes cover a number of UK undertakings and cannot readily be split between each Group undertaking on a consistent and reliable basis.

The management fee is charged by GlaxoSmithKline Services Unlimited for services provided to the Company which includes an element relating to share based payments as calculated under FRS 20 'Share based payments'.

Full details of the UK pension schemes and employee share schemes can be found in the Directors' report and financial statements of GlaxoSmithKline Services Unlimited for the year ended 31 December 2012.

21 Directors' remuneration

During the year the Directors of the Company were remunerated as executives of the Group. They received no remuneration in respect of their services to the Company (2011: £nil).

22 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.

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

23 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 Glaxo Group Limited.

24 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.