

GlaxoSmithKline IHC Limited
(Registered Number 7257967)

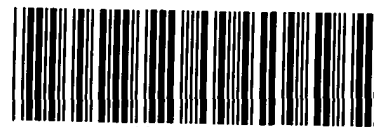
Directors' report and financial statements

for the year ended 31 December 2014

Registered office address:

980 Great West Road
Brentford
Middlesex
TW8 9GS

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GlaxoSmithKline IHC Limited

Directors' report and financial statements

for the year ended 31 December 2014

Contents	Pages
Strategic report	1
Directors' report	2-3
Independent auditors' report to the members of GlaxoSmithKline IHC Limited	4-5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8-10

GlaxoSmithKline IHC Limited
(Registered Number 7257967)

Strategic report for the year ended 31 December 2014

The Directors submit their strategic report for the year ended 31 December 2014.

Review of business

GlaxoSmithKline IHC Limited (the "Company") made a profit for the financial year of £49,151,000 (2013: profit of £893,000). 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.

As part of the UK migration onto the Group ERP System in August 2014, the UK entities started cash sweeping to GlaxoSmithKline IHC Limited. Prior to this date the UK entities held call account balances with GlaxoSmithKline Finance plc. Therefore, their call account balances with GlaxoSmithKline Finance plc were transferred to GlaxoSmithKline IHC Ltd as of 1st August 2014 when they went live on the Group ERP System. This was to ensure they only had one inter company balance with a Treasury entity representing daily cash sweeps. This increase in activity has increased interest income and expense accordingly.

The profit for the financial year of £49,151,000 will be transferred to reserves (2013: profit for the year of £893,000 transferred to reserves).

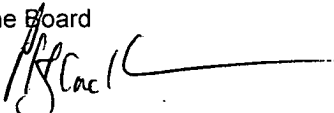
Principal risks and uncertainties

The Directors of GlaxoSmithKline plc manage the risk 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 2014 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 2014 Annual Report which does not form part of this report.

On behalf of the Board


P Blackburn
For and on behalf of Glaxo Group Limited
Corporate Director
17 June 2015

GlaxoSmithKline IHC Limited
(Registered Number 7257967)

Directors' report for the year ended 31 December 2014

The Directors submit their report and the audited financial statements for the year ended 31 December 2014.

Principal activities

GlaxoSmithKline IHC Limited (the "Company") is a member of GlaxoSmithKline Group ("Group"). The Company operates as a global in house bank and cash pooling entity for the Group.

Future Developments

Details of expected future developments of the business have been included in the strategic report on page 1.

Results

The Company's results for the financial year are shown in the profit and loss account on page 6.

Financial risk management

The Company is primarily responsible for managing the Group's In-House Cash activities. These include centralised payment processing, centralised cash management and cashless intercompany settlements.

The Group sets global counterparty limits for each of its banking and investment counterparties based on long-term credit ratings from Moody's and Standard and Poor's.

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.

Post balance sheet event

On 2 March 2015, the Group completed a transaction with Novartis AG involving its Consumer Healthcare, Vaccines and Oncology businesses. As part of this proposed transaction, the Group and Novartis have created a new Consumer Healthcare business over which the Group has control with an equity interest of 63.5%. In addition, the Group has acquired Novartis' global Vaccines business (excluding influenza vaccines) and divested its marketed Oncology portfolio, related R&D activities and rights to its AKT inhibitors and also granted commercialisation partner rights for future oncology products to Novartis.

As part of the transaction, certain Group companies will be involved in divestment or acquisition activities. This will not have any material impact on the financial statements of this Company.

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows:

Edinburgh Pharmaceutical Industries Limited
Glaxo Group Limited
Mr P Blackburn
Mr A Burns

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.

GlaxoSmithKline IHC Limited
(Registered Number 7257967)

Directors' report for the year ended 31 December 2014

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 Strategic Report, 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; 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.

By order of the Board



Raul Williamson
For and on behalf of Edinburgh Pharmaceutical Industries Limited
Company Secretary
17 June 2015

GlaxoSmithKline IHC Limited

Independent auditors' report to the members of GlaxoSmithKline IHC Limited

Report on the financial statements

Our opinion

In our opinion, GlaxoSmithKline IHC Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 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.

What we have audited

GlaxoSmithKline IHC Limited's financial statements comprise:

- the Balance sheet as at 31 December 2014;
- the Profit and loss account 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 applicable law and United Kingdom Accounting Standards (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 matter 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.

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.

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & 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.

GlaxoSmithKline IHC Limited

Independent auditors' report to the members of GlaxoSmithKline IHC Limited (Continued)

Responsibilities for the financial statements and the audit

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these 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 Strategic report, Directors' report and financial statements 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.

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

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
17 June 2015

GlaxoSmithKline IHC Limited

Profit and loss account for the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Operating loss	2	(63)	(497)
Interest receivable and similar income	3	108,751	3,786
Interest payable and similar charges	4	(46,108)	(2,125)
Profit on ordinary activities before taxation		62,580	1,164
Tax on profit on ordinary activities	5	(13,429)	(271)
Profit for the financial year	9	49,151	893

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 the prior year between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents.

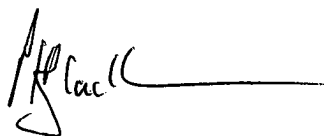
The Company has no recognised gains or losses during either the current year or the prior year other than those included in the results above and therefore no separate statement of recognised gains and losses has been presented.

GlaxoSmithKline IHC Limited

Balance sheet as at 31 December 2014

	Notes	2014 £'000	2013 £'000
Current assets			
Debtors	6	35,708,357	334,616
Cash at bank and in hand		495,379	351,193
		36,203,736	685,809
Creditors: amounts falling due within one year	7	(36,121,332)	(652,556)
Net current assets		82,404	33,253
Net assets		82,404	33,253
Capital and reserves			
Called up share capital	8	30,000	30,000
Profit and loss account	9	52,404	3,253
Total shareholders' funds	10	82,404	33,253

The financial statements on pages 6 to 10 were approved by the Board of Directors on 17 June 2015 and were signed on its behalf by:



P Blackburn
Director

GlaxoSmithKline IHC Limited

Notes to the financial statements for the year ended 31 December 2014

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 throughout the year 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 loss.

(c) 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 on the retained earnings of overseas subsidiaries is only provided when dividends have been accrued as receivable or there is a binding commitment to distribute past earnings in future periods.

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

2 Operating loss

	2014 £'000	2013 £'000
The following items have been (charged)/credited in operating loss:		
Management fee	(17)	(16)
Bank charges	(319)	(279)
Exchange gains/(losses) on foreign currency transactions	273	(202)
	(63)	(497)

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 auditors' remuneration of £10,515 (2013: £10,208).

3 Interest receivable and similar income

	2014 £'000	2013 £'000
Interest income on bank deposits	1,053	1,611
On loans with Group undertakings	107,698	2,175
	108,751	3,786

4 Interest payable and similar charges

	2014 £'000	2013 £'000
On bank loans and overdrafts	(1,075)	(1,157)
On loans with Group undertakings	(45,033)	(968)
	(46,108)	(2,125)

GlaxoSmithKline IHC Limited

Notes to the financial statements for the year ended 31 December 2014

5 Tax on profit on ordinary activities

	2014 £'000	2013 £'000
Tax charge based on profits for the financial year		
Current tax:		
UK corporation tax at 21.49% (2013: 23.25%)	13,426	271
Double tax relief	(3)	(11)
Overseas tax	4	11
Under/(over) provision in previous years	2	-
Total current tax	13,429	271

The tax assessed for the year is higher (2013: equal to) than the standard rate of corporation tax in the UK for the year ended 31 December 2014 of 21.5% (2013: 23.25%). The differences are explained below:

	2014 £'000	2013 £'000
Reconciliation of the current taxation charge		
Profit on ordinary activities at the UK statutory rate 21.5% (2013: 23.25%)	13,426	271
Effects of:		
Double tax relief	(3)	(11)
Overseas tax	4	11
Adjustments to tax charge in respect of previous years	2	-
Current tax charge for the year	13,429	271

Factors that may effect future tax charges:

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and to 20% (effective 1 April 2015) were substantively enacted as part of the Finance Act 2013 on 2 July 2013. This will reduce the company's future current tax charge accordingly.

6 Debtors

	2014 £'000	2013 £'000
Amounts due within one year		
Amounts owed by Group undertakings	35,708,357	334,616

The amounts owed by group undertakings are unsecured and are repayable on demand.

7 Creditors

	2014 £'000	2013 £'000
Amounts falling due within one year		
Bank loans and overdrafts	195,253	139,997
Amounts owed to Group undertakings	35,912,656	512,299
Corporation Tax	13,423	260
	36,121,332	652,556

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.

8 Called up share capital

	2014 Number of shares	2013 Number of shares	2014 £'000	2013 £'000
Issued and fully paid				
Ordinary Shares of £1 each (2013: £1 each)	30,000,100	30,000,100	30,000	30,000

9 Reserves

GlaxoSmithKline IHC Limited**Notes to the financial statements for the year ended 31 December 2014**

	Profit and loss account £'000	Total reserves £'000
At 1 January 2014	3,253	3,253
Profit for the financial year	49,151	49,151
At 31 December 2014	52,404	52,404

GlaxoSmithKline IHC Limited

Notes to the financial statements for the year ended 31 December 2014

10 Reconciliation of movements in shareholders' funds

	2014 £'000	2013 £'000
Profit for the financial year	49,151	893
Net addition to shareholders' funds	49,151	893
Opening shareholders' funds	33,253	32,360
Closing shareholders' funds	82,404	33,253

11 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 2014 is limited to the amount held on its accounts with the bank. No loss is expected to accrue to the Company from the agreement.

12 Employees

There are no employees of GlaxoSmithKline IHC Limited. A management fee is charged by GlaxoSmithKline Services Unlimited for services provided to the Company (see Note 2).

13 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 (2013: £nil). Corporate Directors received no remuneration during the year, either as executives of the Group or in respect of their services to the Company (2013: £nil).

14 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.

15 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 Finance plc.

16 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.