

GlaxoSmithKline IHC Limited
(Registered number: 07257967)

Annual Report and Financial Statements
for the year ended 31 December 2022



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GlaxoSmithKline IHC Limited
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Directors' report for the year ended 31 December 2022

The Directors present their report on GlaxoSmithKline IHC Limited (the "Company") and the audited financial statements of the company for the year ended 31 December 2022.

Principal activities and future developments

The Company is a member of the GSK Group (the "Group") and operates as a global in-house bank; an arrangement that centralises the Group's banking activity by offering cash and liquidity management to various entities within the Group.

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

Review of business

The Company made a profit for the financial year of £12,163,000 (2021: profit of £5,674,000), which will be transferred to reserves. The Directors are of the opinion that the current level of activity and the year-end financial position are satisfactory and will remain so in the foreseeable future.

Results and dividends

The Company's results for the financial year are shown in the income statement on page 7.

No dividend is proposed to the holders of ordinary shares in respect of the year ended 31 December 2022 (2021: £nil).

Financial Instruments

The Company has entered into foreign exchange forward contracts and swaps in order to hedge foreign exchange risk arising from various trade payables and receivables balances that are not denominated in the Company's own reporting currency. Details of financial risk management are disclosed in Note 4.

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:

Mr A Walker
Mr A Davidson
Glaxo Group Limited
Edinburgh Pharmaceutical Industries Limited

No Director had, during the year or at the end of the year, any material interest in any contract of significance to the Company's business with the exception of the Corporate Directors, where such an interest may arise in the ordinary course of business. A corporate director is a legal entity of the Group as opposed to a natural person (an individual) director.

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 virtue of their engagement in the business of the Company.

Financial risk management

Foreign exchange risk

The Company is exposed to foreign exchange risks in the normal course of business. Foreign exchange risk is managed centrally by the Group.

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Directors' report for the year ended 31 December 2022

Credit Risk

As the majority of the Company's income is from Group companies, credit risk is considered to be low.

Liquidity risk

Corporate Treasury ensures that the Company has sufficient funds for operations.

Interest rate and cash flow risk

The Company has both interest bearing assets and interest bearing liabilities. The Company earns interest in respect of cash balances held and on loans advanced to other Group companies. Interest bearing liabilities relates to overdraft facilities.

Statement of directors' responsibilities

The Directors are responsible for preparing the Annual 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, comprising FRS 101 "Reduced Disclosure Framework", 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, comprising FRS 101, 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. The Directors 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 auditor is unaware, and the Directors have taken all the steps that ought to have been taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Going concern basis

Having assessed the principal risks of the Company and other matters the Directors are of the opinion that the current level of activity remains sustainable. The Directors have taken into account that as part of the Group, the Company has the ability to request support from the Group where necessary and can take actions to ensure business continuity through operational channels, as well as the ability to manage variable costs. On the basis of those considerations, the Directors believe that it remains appropriate to adopt the going concern basis of accounting in preparing the financial statements.

GlaxoSmithKline IHC Limited
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Directors' report for the year ended 31 December 2022

Independent auditors

The auditor, Deloitte LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

In accordance with Section 414B of the Companies Act 2006, the Company is exempt from preparing a Strategic Report.

On behalf of the Board



Mr A Davidson
Director
17 May 2023

GlaxoSmithKline IHC Limited
(Registered number: 07257967)

Independent auditor's report to the members of GlaxoSmithKline IHC Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of GlaxoSmithKline IHC Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, which comprise:

- the income statement;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the members of GlaxoSmithKline IHC Limited (continued)

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory framework[s] that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included General Data Protection requirements, Anti-bribery and corruption policy and the Foreign Corrupt Practices Act.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Independent auditor's report to the members of GlaxoSmithKline IHC Limited (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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.

Deloitte LLP

Deloitte LLP
Statutory Auditors
London, United Kingdom
17th May 2023

GlaxoSmithKline IHC Limited

**Income statement
for the year ended 31 December 2022**

	Note	2022 £'000	2021 £'000
Operating (expense)/income		(7,645)	(11,865)
Finance income	8	352,251	29,879
Finance expense	9	(329,619)	(10,954)
Operating profit	6	14,987	7,060
Profit before taxation		14,987	7,060
Taxation	10	(2,824)	(1,386)
Profit for the financial year		12,163	5,674

The notes on pages 10 to 19 are an integral part of these financial statements.

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

The Company has no other comprehensive income during either the current year or prior year, and therefore, no separate statement to present other comprehensive income has been prepared.

GlaxoSmithKline IHC Limited

Balance sheet
as at 31 December 2022

	Note	2022 £'000	2021 £'000
Non current assets			
Trade and other receivables	11	2,352,711	231,350
Total non-current assets		2,352,711	231,350
Current assets			
Trade and other receivables	11	23,626,843	18,394,442
Derivative financial instruments	13	10,291	5,655
Cash and cash equivalents	16	315,918	494,417
Total current assets		23,953,052	18,894,514
Total assets		26,305,763	19,125,864
Current liabilities			
Trade and other payables	12	(25,827,912)	(18,498,544)
Corporation tax		(2,824)	(1,329)
Short-term borrowings	14	(252,972)	(403,590)
Derivative financial instruments	13	(1,978)	(14,487)
Total current liabilities		(26,085,686)	(18,917,950)
Net current liabilities		(2,132,634)	(23,436)
Total assets less current liabilities		220,077	207,914
Net assets		220,077	207,914
Equity			
Share capital	17	30,000	30,000
Retained earnings		190,077	177,914
Total equity		220,077	207,914

The notes on pages 10 to 19 are an integral part of these financial statements.

The financial statements on pages 7 to 19 were approved by the Board of Directors on 17th May 2023 and signed on its behalf by:



Mr A Davidson
Director

GlaxoSmithKline IHC Limited

**Statement of changes in equity
for the year ended 31 December 2022**

	Share capital £'000	Retained earnings £'000	Total equity £'000
At 1 January 2021	30,000	172,240	202,240
Profit for the financial year	-	5,674	5,674
At 31 December 2021	30,000	177,914	207,914
Profit for the financial year	-	12,163	12,163
At 31 December 2022	30,000	190,077	220,077

The notes on pages 10 to 19 are an integral part of these financial statements.

GlaxoSmithKline IHC Limited

Notes to the financial statements for the year ended 31 December 2022

1 Presentation of the financial statements

General information

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

GlaxoSmithKline IHC Limited (the "Company") is a member of the GSK Group of companies (the "Group").

The Company operates as a global in-house bank; an arrangement that centralises the Group's banking activity by offering cash and liquidity management to various entities within the Group.

2 Summary of significant accounting policies

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

(a) Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements ("FRS 100") and Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

These financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 2006. The financial statements are presented in Pounds Sterling which is the currency of the primary economic environment in which the Company operates.

Going concern

Having assessed the principal risks of the Company and other matters the Directors are of the opinion that the current level of activity remains sustainable. The Directors have taken into account that as part of the Group, the Company has the ability to request support from the Group where necessary and can take actions to ensure business continuity through operational channels, as well as the ability to manage variable costs. On the basis of those considerations, the Directors believe that it remains appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Disclosure exemptions adopted

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

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payments' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined);
- The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3, 'Business Combinations';
- The requirements of paragraph 33(c) of IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations';
- IFRS 7, 'Financial instruments: disclosures';
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15, 'Revenue from Contracts with Customers';
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - (i) paragraph 79(a) (iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16, 'Property, plant and equipment';
 - (iii) paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period);
 - (iv) paragraph 76 and 79(d) of IAS 40, 'Investment property'; and
 - (v) paragraph 50 of IAS 41, 'Agriculture'.
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d) (statement of cash flows),
 - 10(f) (a balance sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or make retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
 - 16 (statement of compliance with all IFRS),
 - 38A (requirements for minimum of two primary statements, including cash flow statements),
 - 38B-D (additional comparative information),
 - 40A-D (requirements for a third balance sheet),
 - 111 (cash flow statement information), and
 - 134 - 136 (capital management disclosures).
- IAS 7, 'Statement of cash flows';
- The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16, 'Leases';

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

- The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total;
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- Paragraph 17 and 18A of IAS 24, 'Related party disclosures' (key management compensation);
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more wholly owned members of a
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36, 'Impairment of Assets'.

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

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

(b) Ultimate and immediate parent undertaking

The Company is a wholly owned subsidiary of the ultimate parent company, GSK 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 GSK plc. Copies of the consolidated financial statements can be obtained from the Company Secretary, GSK plc, 980 Great West Road, Brentford, Middlesex, TW8 9GS. The immediate parent undertaking is GSK Finance plc. These financial statements are separate financial statements.

(c) Foreign currency transactions

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

(d) Other operating expense

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

(e) Finance income and expenses

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

Managing interest rate benchmark reform and associated risks

In 2021, the Company conducted an exercise to transfer all its loans to or from group undertakings to the replacement risk free interest rates (in the currencies where the interest rates have been reformed globally). Consequently it no longer had any exposures to IBOR in these currencies at 31 December 2021 and no further action was taken in 2022.

(f) Financial assets

Financial assets are measured at amortised cost. The measurement basis is determined by reference to both the business model for managing the financial asset and the contractual cash flow characteristics of the financial asset.

(g) Impairment of financial assets

Expected credit losses are recognised in the income statement /statement of comprehensive income on financial assets measured at cost and at fair value through other comprehensive income apart from equity investments.

For financial assets other than trade receivables a 12-month expected credit loss ("ECL") allowance is recorded on initial recognition. If there is evidence of a significant increase in the credit risk of an asset, the allowance is increased to reflect the full lifetime ECL. If there is no realistic prospect of recovery, the asset is written off.

(h) Trade and other receivables

Trade and other receivables are carried at original invoice amount less allowance for expected credit losses. Expected credit losses are calculated in accordance with the approaches permitted by IFRS 9. For trade receivables, the simplified approach is used by using a provision matrix applying lifetime historical credit loss experience to the trade receivables. The expected credit loss rate varies depending on whether and the extent to which settlement of the trade receivables is overdue and it is also adjusted as appropriate to reflect current economic conditions and estimates of future conditions. For the purpose of determining credit loss rates, customers are classified into groupings that have similar loss patterns. The key drivers of the loss rate are the nature of the business unit and the location and type of customer.

For other receivables, the general approach is used where the entity recognises the losses that are expected to result from all possible default events over the expected life of the receivable, when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the receivable has not increased significantly since initial recognition, the entity measures the expected loss allowance based on losses that are expected to result from default events that are possible within 12 months after the reporting date. When a trade and other receivable is determined to be uncollectable it is written off, firstly against any expected credit loss allowance available and then to the income statement/statement of comprehensive income.

Subsequent recoveries of amounts previously provided for are credited to the income statement. Long-term receivables are discounted where the effect is material.

2 Summary of significant accounting policies (continued)**(i) Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, current balances with banks and similar institutions and highly liquid investments with maturities of three months or less. They are readily convertible into known amounts of cash and have an insignificant risk of changes in value. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

(ii) Trade and other payables

Trade and other payables are initially recognised at fair value and then held at amortised cost using the effective interest method. Long-term payables are discounted where the effect is material.

(k) Taxation

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

(l) Derivative financial instruments and hedging

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

Derivative financial assets and liabilities are classified as held-for trading and are measured at fair value. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement. Derivatives designated as hedging instruments are classified on inception as cash flow hedges or fair value hedges.

Changes in the fair value of derivatives designated as cash flow hedges are recognised in other comprehensive income to the extent that the hedges are effective. Ineffective portions are recognised in profit or loss immediately. Amounts deferred in other comprehensive income are reclassified to the income statement when the hedged item affects profit or loss.

Changes in the fair value of derivatives designated as fair value hedges are recorded in the income statement, together with the changes in the fair value of the hedged asset or liability.

(m) Share capital

Ordinary shares are classified as equity.

3 Critical accounting judgements and key sources of estimation uncertainty

The Directors do not consider that there are any critical accounting judgements that have been made in the process of applying the Company's accounting policies and that have had a significant effect on the amounts recognised in the financial statements. There have been no significant estimates or assumptions which are likely to cause a material adjustment to the carrying amount of assets and liabilities within the next financial year.

4 Financial risk management

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

(a) Market risk**(i) Foreign exchange risk**

The Company is exposed to foreign exchange risk arising from the translation of financial assets and liabilities which are not held in the functional currency of the Company.

The Company holds intercompany loans and deposits which naturally hedge the foreign currency bank balances to minimise the foreign translation exposure within the Company. Due to the timing of cashflows, there may be a slight mismatch between this natural hedge and consequently, the Company is exposed to foreign exchange risk in relation to Sterling against movements in Singapore dollar, Euro, US dollar and Swiss Franc. Based on the Company's net financial assets and liabilities as at 31 December, a weakening and strengthening of Sterling against these currencies, with all other variables held constant, is illustrated in the table below.

Income statement impact of non-functional currency foreign exchange exposures

	2022 Increase /(decrease) in net income £'000	2021 Decrease in net income £'000
10 cent appreciation of the Singapore dollar	(213)	(3,653)
10 cent appreciation of the Euro	6,365	(1,644)
10 cent appreciation of the US dollar	41,198	(4,031)
10 cent appreciation of the Swiss Franc	142	(1,644)
15 cent appreciation of the Singapore dollar	(331)	(5,643)
15 cent appreciation of the Euro	10,036	(2,585)
15 cent appreciation of the US dollar	64,729	(6,298)
15 cent appreciation of the Swiss Franc	223	(2,580)

4 Financial risk management (continued)

(a) Market risk (continued)

	2022 Increase /(decrease) in net income £'000	2021 Increase in net income £'000
10 cent depreciation of the Singapore dollar	188	3,272
10 cent depreciation of the Euro	(5,328)	1,389
10 cent depreciation of the US dollar	(34,879)	3,474
10 cent depreciation of the Swiss Franc	(118)	1,397
15 cent depreciation of the Singapore dollar	274	4,783
15 cent depreciation of the Euro	(7,679)	2,006
15 cent depreciation of the US dollar	(50,387)	5,037
15 cent depreciation of the Swiss Franc	(170)	2,019

(ii) Interest rate risk

The Company earns interest income on its cash and cash equivalents and intercompany loans and pays interest on intercompany deposits placed with the Company. All interest earned and paid on these is on a floating rate basis where any changes in interest rates will affect future cash flows.

The table below hypothetically shows the Company's sensitivity to interest rates on its floating rate Sterling financial assets and liabilities. If interest rates applicable to floating rate financial assets and liabilities were to have increased by 1% (100 basis points), based on the positions at 31 December, and assuming all other variables had remained constant, it is estimated that the Company's finance income for 2022 would have decreased by approximately £(3,155,000) (2021: £4,348,000). A 1% (100 basis points) movement in interest rates is not deemed to have a material effect on equity.

Income statement impact of interest rate movements

	2022 Increase /(decrease) in net income £'000	2021 Increase /(decrease) in net income £'000
1% (100 basis points) increase in Sterling interest rates (2021: 1%)	(3,155)	4,348
1% (100 basis points) increase in US Dollar interest rates (2021: 1%)	4,194	(888)
1.5% (150 basis points) increase in Sterling interest rates (2021: 1.5%)	(4,733)	6,522
1.5% (150 basis points) increase in US Dollar interest rates (2021: 1.5%)	6,291	(1,332)

(b) Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company and arises from cash and cash equivalents and outstanding loans and receivables with Group undertakings. Corporate Treasury sets global counterparty limits for each of its banking and investment counterparties based on long-term credit ratings from Standard and Poor's and Moody's Investor Services ("Moody's") and actively manages its exposure to credit risk, reducing surplus cash balances wherever possible. Usage of these limits is monitored daily.

The Company considers its maximum exposure to credit risk at 31 December 2022, without taking into account any collateral held or other credit enhancements, to be £26,305,763,000 (2021: £19,125,864,000) which is the total of the Company's financial assets. This represents £315,918,000 (2021: £494,417,000) of cash and cash equivalents and amounts owed by Group undertakings of £25,979,554,000 (2021: £18,625,792,000). The company also entered into swaps amounting to £10,291,000 (2021: £5,655,000).

The Company has maintained a conservative approach to counterparty risk throughout the year. The aggregate credit risk in respect of financial assets that the Company may have with one counterparty is limited by reference to the long-term credit ratings assigned for that counterparty by Standard and Poor's and Moody's. The table below sets out the exposure by credit rating category for financial assets held by the Company. The gross asset position on each derivative contract is considered for the purpose of this table, although, under International Swaps and Derivatives Association ("ISDA") agreements, the amount at risk is the net position with each counterparty.

2022	A+/A1 £'000	A/A2 £'000	A-/A3 £'000	BBB+/Baa1 £'000	Unrated £'000	Total £'000
Derivative Financial Instruments	-	-	-	-	10,291	10,291
Bank balances	258,288	2	57,628	-	-	315,918
2021	A+/A1 £'000	A+/Aa3 £'000	A/A2 £'000	BBB+/A2 £'000	Unrated £'000	Total £'000
Derivative Financial Instruments	-	-	-	-	5,655	5,655
Bank balances	110,408	367,598	1,545	14,866	-	494,417

4 Financial risk management (continued)**(b) Credit risk (continued)**

The credit ratings in the above tables are assigned by Standard and Poor's and Moody's respectively. Where the opinion of the two rating agencies differs, the lower rating of the two is assigned to the counterparty. These credit ratings form the basis of the assessment of the expected credit loss on balances held at amortised cost consisting of bank balances.

The Company's greatest concentration of credit risk in relation to bank balances was £239,876,000 with Citibank NA (A+/Aa3) (2021: £367,598,000 with Citibank NA (A+/Aa3)).

Amounts owed by Group undertakings of £25,979,554,000 (2021: £18,625,792,000) has not been disclosed in the above table as these entities are all indirectly owned by GSK plc whose long-term credit rating with Standard and Poor's is "A+" (negative outlook) and with Moody's is "A2" (negative outlook).

There are no financial assets that are past due or impaired as at 31 December 2022 (2021: £nil).

The Company did not hold any collateral as security or obtained other credit enhancements as at 31 December 2022 (2021: £nil).

(c) Liquidity risk

The Company operates as a global in-house bank for the Group and any surplus cash is on lent to GlaxoSmithKline Finance plc for external investment, or any shortfall in funding is provided by GlaxoSmithKline Finance plc.

5 Capital management

The Company manages its capital to ensure that Group undertakings participating in the in-house cash structure have sufficient working capital whilst availing themselves of intercompany funding where appropriate.

The capital structure of the Company consists of total equity of £220,049,000 (2021: £207,914,000) (see Statement of changes in equity).

6 Operating profit

	2022 £'000	2021 £'000
The following items have been credited / (charged) in operating profit:		
Exchange loss on foreign currency transactions	(5,143)	(9,727)
Management fee	(24)	(24)

GlaxoSmithKline Services Unlimited provides various services and facilities to the Company including finance and administrative services for which a management fee was charged of £24,000 (2021: £24,000). Included in the management fee is an audit fee for the audit of financial statements of £12,600 (2021: £12,200). The disclosure of fees payable to the auditor and its associates for other (non-audit) services has not been made and has been disclosed in the Group's 2022 Annual Report which does not form part of this report. The Company did not incur any non-audit service fees during the financial year.

7 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 (see Note 6). The Company has no employees (2021: nil).

8 Finance income

	2022 £'000	2021 £'000
Finance income arising from:		
Financial assets held at Fair Value Through Profit and Loss		
Gains on derivative financial instruments	-	10,397
Financial liabilities measured at amortised cost	352,251	26,779
Net losses arising from:		
Retranslation on loans with group undertakings	-	(7,297)
	352,251	29,879

9 Finance expense

	2022 £'000	2021 £'000
Finance expense arising on:		
Financial assets held at Fair Value Through Profit and Loss		
Gains on derivative financial instruments	30,627	-
Financial liabilities measured at amortised cost		
Bank overdrafts	(3,686)	(1,406)
On loans from group undertakings	(324,266)	(9,548)
Net losses arising from:		
Retranslation on loans with group undertakings	(32,294)	-
	(329,619)	(10,954)

10 Taxation

	2022 £'000	2021 £'000
Income tax expense on ordinary activities		
Current tax:		
UK corporation tax at 19.00% (2021: 19.00%)	(2,851)	(1,328)
Double tax relief	28	1
Overseas tax	(3)	(1)
Adjustments in respect of previous years	2	(58)
Total tax charge for the year	(2,824)	(1,386)

The tax assessed for the year is higher (2021: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2022 of 19.00% (2021: 19.00%). The differences are explained below:

	2022 £'000	2021 £'000
Reconciliation of total tax charge		
Profit on ordinary activities before tax	14,987	7,060
Tax on ordinary activities at the UK statutory rate 19.00% (2021: 19.00%)	(2,847)	(1,341)
Effects of:		
Overseas tax	(3)	1
Expenses not deductible	(4)	-
Double tax relief	28	(1)
Income not taxable	-	13
Adjustments to tax charge in respect of previous years	2	(58)
Total tax charge for the year	(2,824)	(1,386)

Factors that may affect future tax charges:

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the Company's future current tax charge accordingly. There is no impact of this change as there are no instances of deferred taxation recognised in the statement of comprehensive income or directly in equity in the current year.

11 Trade and other receivables

	2022 £'000	2021 £'000
Amounts due within one year		
Amounts owed by Group undertakings	23,626,843	18,394,442
Amounts due after more than one year		
Amounts owed by Group undertakings	2,352,711	231,350
	25,979,554	18,625,792

Amounts due within one year are balances denominated in various currencies with Group undertakings which are unsecured, repayable on demand. Loans to Group undertakings are at floating rates of interest. Rates applied to balances range between 0.55% and 6.73% (2021: 0.05% and 2.5%) that is consistent with the Group's policy. The increase in amounts due within the year is a result of new entities having call account balances with GlaxoSmithKline IHC Limited as well as the balance increasing with GSK Finance plc.

Amounts due after more than one year are balances denominated in various currencies with Group undertakings which are unsecured, repayable on demand and earn a market rate of interest. Rates applied to balances range between 1.49% and 3.53% (2021: 0.15% and 0.29%) that is consistent with the Group's policy.

12 Trade and other payables

	2022 £'000	2021 £'000
Amounts falling due within one year		
Amounts owed to Group undertakings	(25,827,912)	(18,498,544)
	(25,827,912)	(18,498,544)

Amounts falling due within one year are balances denominated in various currencies with Group undertakings, which are unsecured and repayable on demand. Loans from Group undertakings are at floating rates of interest with a margin. The rates applied range between 0.40% and 18.01% (2021: 0.00% and 3.5%) that is consistent with the Group's policy. The increase in amounts due within the year is a result of new entities having call account balances with GlaxoSmithKline IHC Limited as well as the balance increment with GSK Finance plc.

13 Derivative financial instruments

Derivatives are only used for economic hedging purposes and not as speculative investments and are classified as "held for trading". They are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period, otherwise they are classified as non-current.

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

	2022		2021	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Foreign exchange forward contracts and swaps - held for trading				
Fair Values	10,291	(1,978)	5,655	(14,487)
Notional amounts	612,759	(151,665)	284,475	(1,017,469)

These derivative financial instruments are used to mitigate exposure to foreign exchange transactional risks. The derivative financial instruments are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The valuations of derivative financial instruments are based on the present value of net contractual cash flows using market sourced data (exchange rates).

The notional principal amounts of the outstanding derivative instruments at 31 December 2022 were £461,095,000 (2021: £-732,993,469) and all outstanding contracts have a maturity of 12 months or less.

14 Short-term borrowings

	2022 £'000	2021 £'000
Amounts falling due within one year		
Bank overdraft	(252,972)	(403,590)

The fair value of current borrowings equals their carrying amount due to the short-term maturity of these instruments.

15 Financial Instruments**(a) Fair value of financial assets and liabilities**

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

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

- Cash and cash equivalents – approximates to the carrying amount;
- Receivables and payables – approximates to the carrying value; and
- Short-term borrowings – approximates to the carrying amount due to the short maturity of these instruments which are repayable to external banks.

GlaxoSmithKline IHC Limited

Notes to the financial statements for the year ended 31 December 2022

• Foreign exchange forward contracts and swaps - based on the present value of contractual cash flows using market sourced data (exchange rates).

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

	Carrying value £'000	2022 Fair value £'000	Carrying value £'000	2021 Fair value £'000
Financial assets measured at amortised cost				
Bank balances and deposits measured at amortised cost	315,918	315,918	494,417	494,417
Amounts owed by Group undertakings	25,979,554	25,979,554	18,625,792	18,625,792
Financial assets measured at amortised cost	26,295,472	26,295,472	19,120,209	19,120,209
Financial assets measured at fair value through profit or loss				
Forward contract and swaps	10,291	10,291	5,655	5,655
Total financial assets	26,305,763	26,305,763	19,125,864	19,125,864
Financial liabilities measured at amortised cost				
Short-term borrowings	(252,972)	(252,972)	(403,590)	(403,590)
Amounts owed to Group undertakings	(25,827,912)	(25,827,912)	(18,498,544)	(18,498,544)
Financial liabilities measured at amortised cost	(26,080,884)	(26,080,884)	(18,902,134)	(18,902,134)
Financial Liabilities measured at fair value through profit or loss				
Forward contract and swaps	(1,978)	(1,978)	(14,487)	(14,487)
Total financial liabilities	(26,082,862)	(26,082,862)	(18,916,621)	(18,916,621)
Net financial assets	222,901	222,901	209,243	209,243

(b) Contractual cash flows for non-derivative financial liabilities

The following table provides an analysis of the anticipated contractual cash flows including interest payable for the Company's non-derivative financial liabilities on an undiscounted basis. Cash flows in foreign currencies are translated using spot rates at 31 December.

	At 31 December 2022		
	Trade payables £'000	Short-term borrowings £'000	Total £'000
Due in less than one year	(25,827,912)	(252,972)	(26,080,884)
Gross contractual cash flows	(25,827,912)	(252,972)	(26,080,884)
	At 31 December 2021		
	Trade payables £'000	Short-term borrowings £'000	Total £'000
Due in less than one year	(18,498,544)	(403,590)	(18,902,134)
Gross contractual cash flows	(18,498,544)	(403,590)	(18,902,134)

The following table provides an analysis of the anticipated contractual cash flows for the Company's financial derivative instruments, using undiscounted cash flows. Cash flows in foreign currencies are translated using spot rates at 31 December.

	Receivables £'000	2022 Payables £'000	Receivables £'000	2021 Payables £'000
Gross contractual cash flows due in less than one year	789,426	(781,141)	2,359,850	(1,728,315)

16 Cash and Cash Equivalents

Cash and cash equivalent of £315,918,000 (2021: £494,417,000) comprise of cash at bank and deposits measured at amortised cost.

17 Share capital

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

GlaxoSmithKline IHC Limited

Notes to the financial statements for the year ended 31 December 2022

18 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 2022 is limited to the amount held on its accounts with the bank. No loss is expected to accrue to the Company from the agreement.

19 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 (2021: £nil). Corporate Directors received no remuneration during the year, either as executives of the Group or in respect of their services to the Company (2021: £nil).

20 Related party transactions

As a wholly owned subsidiary of the ultimate parent company, GSK plc, advantage has been taken of the exemption afforded by FRS 101 Reduced Disclosure Framework not to disclose any related party transactions with other wholly owned members of the Group, or information around remuneration of key management personnel compensation.

The balances below are all held with Viiv Healthcare Finance Limited as at 31 December 2022.

The call accounts are unsecured and repayable on demand. The interest for the year to 31 December 2022 is shown below.

GlaxoSmithKline IHC Limited

Notes to the financial statements for the year ended 31 December 2022

20 Related party transactions (continued)

	Intercompany receivable/ (payable)	Intercompany interest income / (expense)	Intercompany receivable / (payable)	Intercompany interest income / (expense)
	At 31 December 2022 £'000	2022 £'000	At 31 December 2021 £'000	2021 £'000
AUD Call Account with GlaxoSmithKline Consumer Healthcare Pte. Ltd	-	-	-	(1)
CAD Call Account with GlaxoSmithKline Consumer Healthcare Inc.	-	-	-	(18)
CHF Call Account with Novartis Consumer Health S.A. (Switzerland)	-	-	-	(3)
CZK Call Account with GlaxoSmithKline Consumer Healthcare Czech Republic s.r.o	-	-	-	26
Euro Call Account with GlaxoSmithKline Consumer Healthcare GmbH & Co. KG	-	-	-	(4)
Euro Call Account with de Miclen a.s.	-	-	-	(8)
Euro Call Account with Stafford-Miller (Ireland) Limited	-	-	-	(1)
HKD Call Account with GlaxoSmithKline Consumer Healthcare (Hong Kong) Limited	-	-	-	(1)
HUF Call Account with GlaxoSmithKline-Consumer Hungary Limited Liability Company	-	-	-	(1)
NZD Call Account with GlaxoSmithKline Consumer Healthcare New Zealand Limited	-	-	-	(1)
SGD Call Account with GlaxoSmithKline Consumer Healthcare Pte. Ltd.	-	-	-	(5)
Sterling Call Account with GlaxoSmithKline Consumer Healthcare (UK) Trading Limited	-	-	-	(83)
Sterling Call Account with GlaxoSmithKline Consumer Trading Services Limited	-	-	-	(184)
Sterling Call Account with SmithKline Beecham Research Limited	-	-	-	(9)
Sterling Call Account with ViiV Healthcare Finance Limited (Cash-Pooling)	(1,933,397)	22,100	(1,427,398)	(298)
Sterling Call Account with GlaxoSmithKline Consumer Healthcare Finance Limited (Financing)	-	(189)	705,295	(607)
Sterling Call Account with GlaxoSmithKline Consumer Healthcare Finance Limited (Cash-Pooling)	-	1,744	(1,046,463)	1,244
Sterling Call Account with GlaxoSmithKline Consumer Healthcare Finance Limited (Cash-Pooling)	-	-	112,066	(47)
Sterling Call Account with Stiefel CH (UK Ltd)	-	-	-	(25)
Sterling Call Account with GSK Consumer Healthcare Holdings No 2 Ltd	-	-	-	(30)
Sterling Call Account with Pfizer Consumer Healthcare GmbH	-	-	-	(1)
Total	(1,933,397)	23,655	(1,656,499)	(57)