

Glaxo Group Limited
(Registered number: 00305979)

Directors' report and financial statements

for the period ended 31 December 2015



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England

Glaxo Group Limited
(Registered number: 00305979)

Directors' report and financial statements
for the period ended 31 December 2015

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Glaxo Group Limited
(Registered number: 00305979)

Strategic report for the year ended 31 December 2015

The Directors present their Strategic report for the year ended 31 December 2015.

Principal activities and future developments

The Company is a member of the GlaxoSmithKline Group (the "Group"). The Directors do not envisage any change to the nature of the business in the foreseeable future.

Glaxo Group Limited's (the "Company") principal activities are:

- (a) the holding of shares and other investments in subsidiary undertakings, associated undertakings and third party available-for-sale investments; and
- (b) the holding of a small portfolio of intellectual property rights and licensing out these rights to Group and third parties.

Review of business

The Company made a profit for the financial year of £1,730 million (2014: profit of £3,711 million), of which £1,485 million is from exceptional items in the year (2014: £1,744 million). The Directors are of the opinion that the level of activity in the year is satisfactory and that the Company will remain profitable in the future due to the nature of its future activities. Furthermore, the Directors are of the opinion that the financial position at the year end is satisfactory. Due to this, the Directors believe the Company remains a going concern.

The profit for the year of £1,730 million will be transferred to reserves (2014: profit for the year of £3,711 million has been transferred to reserves).

Exceptional items

On the 20th of March 2015, Glaxo Group Limited sold 50% of its shareholding in Aspen amounting to 28,234,379 shares to reduce its shareholding in the investment from 12.8% to 6.9%. The total proceeds on disposal were £564 million, with the carrying value of Aspen totalling £166 million, resulting in a profit on disposal of £398 million.

Aspen was held as an associated undertaking in Glaxo Group Limited. Following the disposal of 50% of the Company's shareholding in Aspen, the investment changed from an associated undertaking to an available-for-sale investment. On conversion to an available-for-sale investment, the investment is revalued to its fair value at the date of disposal, and then subsequently revalued at each balance sheet date. At the date of disposal, a gain on conversion from associated undertaking to available-for-sale investments was made on the remaining Aspen shares held by Glaxo Group Limited of £440 million, which is recognised in other comprehensive income.

During 2015, Glaxo Group Limited disposed of a portfolio of available-for-sale investments of carrying value of £275 million for a combined consideration of £267 million resulting in a loss on disposal of £8 million. Additionally, there was a release of prior revaluation and foreign exchange movements of £269 million from other comprehensive income to the income statement related to these disposed available-for-sale investments.

Additionally during 2015, Glaxo Group Limited undertook a share for share exchange on a portfolio of subsidiary undertakings of carrying value of £1,308 million with shares in GlaxoSmithKline Consumer Healthcare Holdings Limited of £2,085 million, resulting in a profit on disposal of £777 million. The shares in GlaxoSmithKline Consumer Healthcare Holdings Limited were sold subsequently to Setfirst Limited for qualifying consideration of £2,085 million, resulting in nil gain or loss on disposal.

In March 2015, Glaxo Group Limited injected share capital of value £700m in its shareholding in Leo Osprey Limited. In March 2015, Glaxo Group Limited disposed of its investment in Leo Osprey Limited of carrying value £700m to Novartis as part of the Oncology transaction for £1,055m, resulting in a profit on disposal of £355m.

Following the termination of a Governance agreement with Theravance Inc in 2015, Glaxo Group Limited obtained the right to exercise significant influence over their existing shareholding. Therefore the investment is transferred from an available-for-sale investment to associated undertaking. The investment was transferred for £289 million, resulting in nil gain or loss on conversion. There was also a release of prior revaluation and foreign exchange movements of £45 million from other comprehensive income to the income statement.

Amounts written off investments of £391 million relate to a write-down in the carrying value of the the Company's subsidiary investment in Glaxo Investment UK Limited of £157 million and a write-down of £234 million in carrying value of the Company's available-for-sale investments.

Product divestment income of £39 million mainly relates to income derived from the divestment of Oncology products from the Company on behalf of the Group to Novartis.

Glaxo Group Limited
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Strategic report for the year ended 31 December 2015

Principal risks and uncertainties

The Directors of GlaxoSmithKline plc manage the risks of the "Group" at a group level, rather than at an individual statutory entity level. For this reason, the Company's Directors believe that a discussion of the Group's risks would not be appropriate for an understanding of the development, performance or position of the Company's business. The principal risks and uncertainties of the Group, which include those of the Company, are discussed in the Group's 2015 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 an operating segment 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 2015 Annual Report which does not form part of this report.

First time adoption of FRS 100 and 101

In the current year the Company has adopted Financial Reporting Standard 100 'Application of Financial Reporting Requirements' ("FRS 100") and Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101"). In previous years the financial statements were prepared in accordance with applicable UK accounting standards. This change in the basis of preparation has materially altered the recognition and measurement requirements previously applied in accordance with applicable accounting standards. An explanation of the impact of the adoption of FRS 100 and FRS 101 for the first time is included in the notes to the financial statements.

Group restructuring

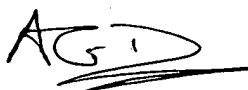
On 2 March 2015, the Group completed a transaction with Novartis AG involving its Consumer Healthcare, Vaccines and Oncology businesses. As part of this transaction, the Group and Novartis have created a new Consumer Healthcare business over which the Group has control with an equity interest of 63.5%.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

The Company has been involved in a number of restructuring deals related to its subsidiary investments. These have been described in the exceptional items section of the strategic report.

Post balance sheet events

On the 28 September 2016 the Group announced the sale of its remaining shareholding of 28.2 million shares in Aspen Pharmacare at an agreed price of 300 South African Rand per share. As at signing of the accounts, the transaction has not been finalised and therefore the net consideration to be received and the profit on disposal of the shares has not been determined.

By order of the Board



Alan Burns
For and on behalf of Edinburgh Pharmaceutical Industries Limited - Corporate Director
29 September 2016

Glaxo Group Limited
(Registered number: 00305979)

Directors' report for the period ended 31 December 2015

The Directors present their report on the Company and the audited financial statements for the year ended 31 December 2015.

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 2015 (2014: £nil).

Financial instruments

The Company has entered into collar options, forward foreign exchange contracts and foreign currency swap contracts in order to swap intercompany loans into the Company's functional currency. Details on financial risk management are disclosed in the Accounting policies Treasury Policy (see Note 2z).

Research and development

The Company is responsible for instigating research and development activities, which are carried out by GlaxoSmithKline Research & Development Limited and other Group undertakings. In addition the Company has entered into a number of in-licensing initiatives that have strengthened the R&D pipeline, particularly in the later stages.

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:

Simon Dingemans	
Paul F Blackburn	(Resigned on 1 March 2016)
Edinburgh Pharmaceutical Industries Limited	
The Wellcome Foundation Limited	
Adam Walker	(Appointed on 1 October 2015)

No Director had, during the year or at the end of the year, any material interest in any contract of significance to the Company's business with the exception of the Corporate Directors, where such an interest may arise in the ordinary course of business.

Directors' indemnity

Each of the Directors benefits from an indemnity given by the Company under its articles of association. This indemnity is in respect of liabilities incurred by the Director in the execution and discharge of their duties.

In addition, each of the Directors who is an individual benefits from an indemnity given by another Group company, GlaxoSmithKline Services Unlimited. This indemnity is in respect of liabilities arising out of third party proceedings to which the Director is a party by virtue of his or her engagement in the business of the Company.

Glaxo Group Limited
(Registered number: 00305979)

Directors' report for the period ended 31 December 2015

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic report, Directors' report and 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice((United Kingdom Accounting Standards), including FRS 101 'Reduced disclosure framework' ("FRS 101") 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, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the Company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of 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.

The following items have been included in the Strategic report on pages 1 to 2:

- principal activities and future developments;
- review of business;
- exceptional items; and
- principal risks and uncertainties.

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



Alan Burns
For and on behalf of Edinburgh Pharmaceutical Industries Limited - Corporate Director
29 September 2016

Independent auditors' report to the members of Glaxo Group Limited

Report on the financial statements

Our opinion

In our opinion, Glaxo Group 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 2015 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

The financial statements, included within the Directors' report and financial statements (the "Annual Report"), comprise:

- the Balance sheet as at 31 December 2015;
- the Income statement and the Statement of other comprehensive income for the year then ended;
- the Statement of changes in equity 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 United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (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.

Glaxo Group Limited
(Registered number: 00305979)

Independent auditors' report to the members of Glaxo Group Limited

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Director's report, 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.

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 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.

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
29 September 2016

Glaxo Group Limited
(Registered number: 00305979)

Income statement
for the period ended 31 December 2015

	Notes	2015 £'000	2014 £'000
Turnover	4	5,924	32,206
Cost of sales		(19,734)	(79,713)
Gross loss		(13,810)	(47,507)
Administrative expenses		(23,592)	(37,321)
Research and development expenditure		(47,938)	(25,103)
Other operating expenses		(198,456)	(130,277)
Income from subsidiaries and available-for-sale investments	7	447,884	2,186,966
<i>Exceptional items:</i>			
Product divestment income		38,961	20,194
Gain on sale of fixed asset investments		1,837,568	3,439,089
Gain on sale of intangible fixed asset		-	29,274
Amounts written off investments		(391,201)	(1,744,474)
Operating profit	5	1,649,416	3,690,841
Finance income	8	12,134	720
Finance expense	9	(3)	(22,270)
		12,131	(21,550)
Profit on ordinary activities before income tax		1,661,547	3,669,291
Income tax credit on ordinary activities	10	69,095	41,765
Profit for the financial year		1,730,642	3,711,056

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

Glaxo Group Limited
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Statement of comprehensive income
for the year ended 31 December 2015

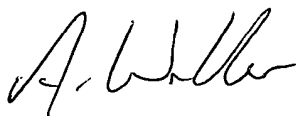
	2015 £'000	2014 £'000
Profit for the year:	1,730,642	3,711,056
Items that may be subsequently reclassified to the income statement:		
Revaluation of available-for-sale investments	174,277	(148,717)
Fair value adjustment on conversion of investment from associated undertaking to available-for-sale investment	439,664	-
Release of fair value and foreign currency movements on disposal of available-for-sale investments	(314,453)	(22,931)
Other comprehensive income/(loss) for the year	299,488	(171,648)
Total comprehensive income for the year	2,030,130	3,539,408

Glaxo Group Limited
(Registered number: 00305979)

Balance sheet
as at 31 December 2015

	Notes	2015 £'000	2014 £'000
Fixed assets			
Intangible assets	11	51,527	87,899
Property, plant and equipment	12	2,885	3,338
Investment properties	15	15,449	14,642
Investments	13	10,671,712	12,161,804
Total fixed assets		10,741,573	12,267,683
Current assets			
Trade and other receivables	14	5,712,339	3,648,101
Assets held for sale	16	-	-
Cash and cash equivalents		4,864	6,264
Total current assets		5,717,203	3,654,365
Creditors: amounts falling due within one year	17	(692,820)	(2,163,496)
Net current assets		5,024,383	1,490,869
Total assets less current liabilities		15,765,956	13,758,552
Creditors: amounts falling due after more than one year	17	(43,310)	(50,507)
Provisions for liabilities	18	(671)	(16,200)
Net assets		15,721,975	13,691,845
Capital and reserves			
Share capital	19	808,994	808,994
Share premium account		2,730,743	2,730,743
Other reserves		5,058,485	4,758,997
Retained earnings		7,123,753	5,393,111
Shareholder's equity		15,721,975	13,691,845

The financial statements on pages 7 to 29 were approved by the Board of Directors on 29 September 2016 and were signed on its behalf by:



Adam Walker
Director

Glaxo Group Limited
(Registered number: 00305979)

Statement of changes in equity
for the year ended 31 December 2015

	Share capital £'000	Share premium account £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 January 2014	808,994	2,730,743	4,930,645	1,682,055	10,152,437
Profit for the year	-	-	-	3,711,056	3,711,056
Other comprehensive loss	-	-	(171,648)	-	(171,648)
Total comprehensive income for the year	-	-	(171,648)	3,711,056	3,539,408
At 31 December 2014	808,994	2,730,743	4,758,997	5,393,111	13,691,845
Profit for the year	-	-	-	1,730,642	1,730,642
Other comprehensive income	-	-	299,488	-	299,488
Total comprehensive income for the year	-	-	299,488	1,730,642	2,030,130
At 31 December 2015	808,994	2,730,743	5,058,485	7,123,753	15,721,975

Other reserves are non-distributable.

Notes to the financial statements for the year ended 31 December 2015

1 Presentation of the financial statements

General information

Glaxo Group Limited's (the "Company") principal activities are:

- (a) the holding of shares and other investments in subsidiary undertakings, associated undertakings and third party available-for-sale investments; and
- (b) the holding of a small portfolio of intellectual property rights and licensing out these rights to Group and third parties.

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

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, as modified by the revaluation of available-for-sale investments and derivative financial assets and liabilities at fair value through the profit and loss, and in accordance with the Companies Act 2006.

First time application of FRS 100 and 101

In the current year the company has adopted FRS 100 and 101. In previous years the financial statements were prepared in accordance with applicable UK accounting standards.

This change in the basis of preparation has materially altered the recognition and measurement requirements previously applied in accordance with applicable accounting standards. An explanation of the impact of the adoption of FRS 100 and FRS 101 for the first time is included in note 24.

The change in basis of preparation has enabled the company to take advantage of all of the available disclosure exemptions permitted by FRS 101 in the financial statements, the most significant of which are summarised below. There have been no other material amendments to the disclosure requirements previously applied in accordance with applicable accounting standards.

Disclosure exemptions adopted

In preparing these financial statements the company has taken advantage of all 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);
- IFRS 7, 'Financial instruments: disclosures';
- 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 62(a) and (b) of IAS 40 Investment property;
- 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 a 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'
- 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 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 group.

The financial statements of GlaxoSmithKline 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 Note 3.

Notes to the financial statements for the year ended 31 December 2015

2 Summary of significant accounting policies (continued)

(b) Consolidation

The Company is a wholly owned subsidiary of the ultimate parent company and as such has taken advantage of the exemption from preparing group financial statements under section 400 of the Companies Act 2006. 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. These financial statements are separate financial statements. The immediate parent undertaking of the Company is GlaxoSmithKline Finance plc.

(c) Foreign currency transactions

Foreign currency transactions are booked in 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 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) Turnover

Turnover is recognised in the income statement when services are supplied to, or made available to other Group subsidiaries against orders received, title and risk of loss is passed to the customer, reliable estimates can be made of the relevant deductions and all relevant obligations have been fulfilled, such that the earnings process is regarded as being complete.

Turnover represents the net invoice value after deduction of discounts and allowances given, and accruals for estimated future rebates and returns. Value added tax and other sales taxes are excluded from turnover.

(e) Expenditure

Expenditure is recognised in respect of 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. Restructuring costs are recognised and provided for, where appropriate 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 income statement in the year in which it is incurred. Development expenditure is capitalised when the criteria for recognising an asset are met, usually when a regulatory filing has been made in a major market and approval is considered highly probable.

(g) Other operating income and expense

Co-promotional income is recognised in other operating income on an accruals basis in accordance with the terms of the relevant licensing agreements.

(h) Finance income and expense

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

(i) Exceptional items

Exceptional items are items of income and expenditure which, in the opinion of the Directors, are material and unusual in nature or of such significance that they require separate disclosure on the face of the Profit and loss account.

(j) Dividends paid and received

Interim dividends received are included in the income statement in the year in which they are received. Interim dividends paid are included in reserves in the year in which they are paid. Final dividends are recorded in the reserves upon shareholder approval. Dividends in specie are recognised as other comprehensive income at their fair value at the date of receipt.

(k) Goodwill

Goodwill is stated at cost less impairments. Goodwill is deemed to have an indefinite useful life and is tested for impairment at least annually. Where the fair value of the interest acquired in an entity's assets, liabilities and contingent liabilities exceeds the consideration paid, this excess is recognised immediately as a gain in the income statement.

(l) Other intangible assets

Intangible assets are stated at cost less a provision for amortisation and impairment.

Licences, patents, know-how and marketing rights separately acquired are amortised over their estimated useful lives generally not exceeding 20 years, using the straight-line basis, from the time they are available for use. The estimated useful lives for determining the amortisation charge are taken into account patent lives, where applicable, as well as the value obtained from periods of non-exclusivity. Asset lives are reviewed, and where appropriate adjusted, annually. Contingent milestone payments are recognised at the point that the contingent event becomes probable. Any development costs incurred by the Company and associated with acquired licences, patents, know-how or marketing rights are written off to the income statement when incurred, unless the criteria for recognition of an internally generated intangible asset are met, usually when a regulatory filing has been made in a major market and approval is considered highly probable.

The costs of acquiring and developing computer software for internal use and internet sites for external use are capitalised as intangible fixed assets where the software or site supports a significant business system and the expenditure leads to the creation of a durable asset. ERP systems software is amortised over seven to ten years and other computer software over three to five years.

Notes to the financial statements for the year ended 31 December 2015

2 Summary of significant accounting policies (continued)

(m) Capitalised borrowing costs

The Company borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. All other borrowing costs are recognised as expenses in the period in which they are incurred.

(n) Property, plant and equipment

Property, plant and equipment is stated at the cost of purchase or construction less provisions for depreciation and impairment. Financing costs are capitalised within the cost of qualifying assets in construction.

Depreciation is calculated to write off the cost of property, plant and equipment, excluding freehold land, using the straight-line basis over their expected useful lives. The normal expected useful lives of the major categories of tangible fixed assets are:

Plant and machinery	10 to 20 years
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On disposal of a plant, property and equipment, 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 income statement.

(o) Financial assets

Classification:

The company classifies its financial assets in the following categories: at available-for-sale investments and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Available-for-sale investments

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise receivables.

Recognition and measurement

Regular way purchases and sales of financial assets are recognised in the trade-date, being the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investment have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Available-for-sale investments are initially recorded at fair value plus transaction costs and then remeasured at subsequent reporting dates to fair value. Unrealised gains and losses on available-for-sale investments are recognised directly in other comprehensive income. Impairments arising from the significant or prolonged decline in fair value of an available-for-sale investment reduce the carrying amount of the asset directly and are charged to the income statement.

On disposal or impairment of the investments, any gains and losses that have been deferred in other comprehensive income are reclassified to the income statement. Dividends on equity investments are recognised in the income statement when the Company's right to receive payment is established. Equity investments are recorded in non-current assets unless they are expected to be sold within one year.

Purchases and sales of equity investments are accounted for on the trade date and purchases and sales of other available-for-sale investments are accounted for on settlement date.

(p) Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

(q) Investment in subsidiaries

Investments in subsidiaries are held at cost less accumulated impairment losses.

(r) Investment in associated undertakings

Investments in associated undertakings are held at cost less accumulated impairment losses.

Notes to the financial statements for the year ended 31 December 2015

2 Summary of significant accounting policies (continued)

(s) Impairment of non-financial assets

The carrying values of all non-financial assets are reviewed for impairment, either on a standalone basis or as part of a larger cash generating unit, when there is an indication that the assets might be impaired. Additionally, goodwill, intangible assets with indefinite useful lives and intangible assets which are not yet available for use are tested for impairment annually. Any provision for impairment is charged to the income statement in the year concerned.

Impairments of goodwill are not reversed. Impairment losses on other non-financial assets are only reversed if there has been a change in estimates used to determine recoverable amounts and only to the extent that the revised recoverable amounts do not exceed the carrying values that would have existed, net of depreciation or amortisation, had no impairments been recognised.

(t) Trade and other receivables

Trade receivables are carried at original invoice amount less any provisions for doubtful debts. Provisions are made where there is evidence of a risk of non-payment, taking into account ageing, previous experience and general economic conditions. When a trade receivable is determined to be uncollectable it is written off, firstly against any provisions available and then to the income statement.

(u) 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.

(v) Trade and other payables

Trade payables are initially recognised at fair value and then held at amortised cost which equates to nominal value. Long-term payables are discounted where the effect is material.

(w) Taxation

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

Deferred tax is provided in full, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probably that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is provided using rates of tax that have been enacted or substantively enacted by the balance sheet date.

(x) 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. There are no provisions which are discounted.

(y) Legal and other disputes

Provision is made for the anticipated settlement costs of legal or other disputes against the Company where an outflow of resources is considered probable and a reliable estimate can be made of the likely outcome. In addition, provision is made for legal or other expenses arising from claims received or other disputes. In respect of product liability claims related to certain products, there is sufficient history of claims made and settlements to enable management to make a reliable estimate of the provision required to cover unasserted claims. In certain cases, an incurred but not reported (IBNR) actuarial technique is used to determine this estimate.

The Company may become involved in legal proceedings, in respect of which it is not possible to make a reliable estimate of the expected financial effect, if any, that could result from ultimate resolution of the proceedings. In these cases, appropriate disclosure about such cases would be included but no provision would be made. Costs associated with claims made by the Company against third parties are charged to the statement of comprehensive income as they are incurred.

(z) Derivative financial instruments and hedging

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

Derivative financial instruments are used to mitigate exposure to foreign exchange risks. The principal derivative instruments are foreign exchange currency swaps, foreign currency forward contracts and a collar option. The derivative contracts 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 the income statement immediately. Amounts deferred in other comprehensive income are reclassified to the income statement when the hedged item affects the income statement.

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.

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

Notes to the financial statements for the year ended 31 December 2015

2 Summary of significant accounting policies (continued)

(aa) Investment property

Investment properties comprise land and buildings that are held for long-term rental yields and/or capital appreciation.

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful lives of the shorter of the lease term or 50 years for buildings. Land is not depreciated. The residual values, useful lives and depreciation method of investment properties are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are included in the statement of comprehensive income.

(ab) Divestment expenses

Where appropriate, product divestment expenses are recognised and provided for in respect of the difference between profits paid to a counterparty on divested products based on signed contractual agreements and the profits on divested products received from other GSK Group entities which are distributed to the Company.

3 Key accounting judgements and estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts of assets, liabilities, revenue and expenses reported in the financial statements. Actual amounts and results could differ from those estimates. The following are considered to be the key accounting judgements and estimates made.

(a) Turnover

The net profit remaining after accounting for all third party income and expenses, and intercompany expenses related to the supply and management of the product, is returned to the intellectual property rights holders in the form of a residual return. Whereby the return is an income, it is categorised as turnover, and whereby it is a cost, it is categorised as Cost of sales.

Turnover is recognised when the third party revenue, and associated expenses of the product cause the title and risk of loss to pass to the customer and/or intercompany counterparty. Reliable estimates can be made of relevant deductions and all relevant obligations have been fulfilled, such that the earnings process is regarded as being complete.

(b) Taxation

Current tax is provided at the amounts expected to be paid, and deferred tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts, at the rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised, based on managements assumptions relating to the amounts and timing of future taxable profits.

(c) Impairment of investments in subsidiaries and associated undertakings

Investments in subsidiaries and associated undertakings are held at cost less accumulated impairment losses. Annual impairment tests are carried out to ascertain if the carrying value of investments are impaired. These tests comprise a comparison between the carrying value of investment in subsidiaries and associated undertakings and the net asset value of the subsidiaries and associated undertakings. In some instances, valuations of subsidiaries and associated undertakings are prepared. Valuations for impairment tests are based on established market multiples or risk-adjusted future cash flows over the estimated useful life of the asset, where limited, discounted using appropriate interest rates.

The assumptions relating to future cash flows, estimated useful lives and discount rates are based on business forecasts and are therefore inherently judgemental. Future events could cause the assumptions used in these impairment tests to change with a consequent adverse effect on the future results of the Company.

Notes to the financial statements for the year ended 31 December 2015

4 Turnover

The Companies Act 2006 requires companies which, in the opinion of Directors, operate in substantially different classes of business or supply substantially different geographical markets to provide the following disclosures.

Analysis of turnover by geography:

	2015 £'000	2014 £'000
UK	-	26,475
Europe	-	138
Rest of World	5,924	5,593
	5,924	32,206

Analysis of turnover by category:

	2015 £'000	2014 £'000
Pharmaceuticals	5,924	25,950
Consumer Healthcare	-	6,256
	5,924	32,206

All turnover relates to licence income from other Group undertakings.

The analysis by location of customer of sales to other undertakings within the Group, operating profit and net assets are disclosed in the Group financial statements.

All other segmental information is included in the 2015 Annual Report of GlaxoSmithKline plc.

5 Operating profit

	2015 £'000	2014 £'000
The following items have been (charged)/credited in operating profit:		
Depreciation of property, plant and equipment	(448)	(489)
Amortisation of intangible assets	(3,569)	(22,050)
Impairment of goodwill	(32,803)	-
Exchange loss on foreign currency transactions	(1,338)	(1,392)
Research and development expenditure	(47,938)	(25,103)
Divestment expenses	(186,541)	(22,507)
Management fee	(122)	(37,110)
Exceptional items:		
Product divestment income	38,961	20,194
Gain on sale of fixed asset investments	1,837,568	3,439,089
Gain on transfer of intangible fixed assets	-	29,274
Amounts written off investments	(391,201)	(1,744,474)

GlaxoSmithKline Services Unlimited provides various services and facilities to the Company including finance and administrative services for which a management fee is charged. Included in the management fee is a charge for auditor remuneration of £34,898 (2014: £33,881).

Product divestment income of £39 million (2014: £20 million) received by providing selling, distribution and other support services of the divested brands to third parties.

Divestment expenses relate to the difference between profit paid to counterparties on divested products based on signed contractual agreements and profit received from other Group entities in relation to the same divested products, which are distributed to the Company.

See Note 11 for impairment of intangible fixed assets.

See Note 13 for gain on sale of fixed asset investments and amounts written off investments commentary.

Notes to the financial statements for the year ended 31 December 2015

6 Employees

The Company has no 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 5).

7 Income from subsidiary undertakings and available-for-sale investments

	2015 £'000	2014 £'000
Dividends from subsidiary undertakings	423,303	2,186,966
Dividends from available-for-sale investments	24,581	-
	447,884	2,186,966

Income from shares in Group undertakings of £448 million for 2015 relates to intercompany dividends received from Stafford Miller Ltd of £110 million on 20 February 2015, GlaxoSmithKline South Africa Pty of £77 million on 4 April 2015, GlaxoSmithKline Pharmaceuticals Ltd of £19 million on 3 August 2015, GlaxoSmithKline (S.A.E.) of £3 million on 14 July 2015 and Glaxo Investments UK Ltd £214 million on 14 October 2015. The Company also received £25 million of dividend income from available-for-sale investments.

8 Finance income

	2015 £'000	2014 £'000
Interest income on bank deposits	2,553	356
Fair value movement in derivative financial instruments	2,252	-
On loans with Group undertakings	7,329	364
	12,134	720

9 Finance expense

	2015 £'000	2014 £'000
On loans with Group undertakings	-	(20,252)
Fair value movement in derivative financial instruments	-	(1,996)
Other	(3)	(22)
	(3)	(22,270)

Notes to the financial statements for the year ended 31 December 2015

10 Tax on profit on ordinary activities

	2015 £'000	2014 £'000
Income tax credit on ordinary activities		
Current Tax		
UK corporation tax at 20.25% (2014: 21.49%)	(20,740)	15,627
Overseas tax	3,536	5,103
Over provision in respect of previous years	(53,501)	(86,174)
Total current tax	(70,705)	(65,444)
Deferred Tax		
Origination and reversal of timing differences	369	385
Change in tax rate - impact on deferred tax	1,241	-
Deferred taxation - prior year	-	23,294
Total deferred tax	1,610	23,679
Total tax credit for the year	(69,095)	(41,765)

The tax assessed for the year is lower (2014: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2015 of 20.25% (2014: 21.49%). The differences are explained below:

	2015 £'000	2014 £'000
Reconciliation of total tax charge/(credit)		
Profit on ordinary activities before income tax	1,661,547	3,669,291
Profit on ordinary activities at the UK statutory rate 20.25% (2014: 21.49%)	336,407	788,646
Effects of:		
Over provision in respect of previous years	(53,501)	(62,481)
Overseas tax	3,536	5,103
Income not taxable	(466,786)	(1,212,350)
Expenses not deductible for tax purposes	98,857	386,918
Change in tax rate - impact on deferred tax	1,195	-
Other differences	11,197	52,399
Total tax credit for the year	(69,095)	(41,765)

Factors that may affect future tax charges:

A reduction in the UK corporation tax rate from 21% to 20% (effective 1 April 2015) was enacted in 2013. Further reductions to 19% (effective 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted as part of the Finance (No 2) Act 2015 on 26 October 2015. This will impact the Company's future current tax charge accordingly. Deferred taxes have been measured using appropriate rates substantively enacted at the balance sheet date.

The Chancellor also proposed changes to further reduce the main rate of UK corporation tax from 18% to 17% from 1 April 2020. These changes were substantively enacted after the balance sheet date and therefore are not included in the figures above.

The overall effect of the further changes from 18% to 17%, if these applied to the deferred tax balance at 31 December 2015, would be to reduce the deferred tax asset by approximately £107,000.

Movement in deferred tax asset

	Losses and other deduction	Accelerated capital allowances £'000	Other net temporary differences £'000	Total £'000
At 1 January 2014	24,531	994	10,565	36,090
Charge to income statement	(24,531)	1,082	(230)	(23,679)
At 31 December 2014	-	2,076	10,335	12,411
Charge to income statement	-	(212)	(1,398)	(1,610)
At 31 December 2015	-	1,864	8,937	10,801

After offsetting deferred tax assets and liabilities where appropriate, the net deferred tax asset comprises:

	2015 £'000	2014 £'000
Deferred tax assets	10,801	12,411
Deferred tax liabilities	-	-
	10,801	12,411

Notes to the financial statements for the year ended 31 December 2015

11 Intangible assets

	Goodwill £'000	Licences, and patents £'000	Computer Software £'000	Total £'000
Cost				
At 1 January and 31 December 2015	67,246	20,644	37	87,927
Accumulated amortisation				
At 1 January 2015	-	-	(28)	(28)
Charge for the year	-	(3,560)	(9)	(3,569)
At 31 December 2015	-	(3,560)	(37)	(3,597)
Accumulated impairment				
At 1 January 2015	-	-	-	-
Charge for the year	(32,803)	-	-	(32,803)
At 31 December 2015	(32,803)	-	-	(32,803)
Total amortisation and impairment at 31 December 2015	(32,803)	(3,560)	(37)	(36,400)
Net book value at 1 January 2015	67,246	20,644	9	87,899
Net book value at 31 December 2015	34,443	17,084	-	51,527

In the year, the full amount of remaining goodwill in relation to Tocrino of £33 million has been written off during the year following FDA failure for the commercialisation of Tocrino in the US market.

The goodwill of £34 million arises on the acquisition of Stafford Miller in 2003. All goodwill is allocated to a single cash generating unit, being the total trade of the Group. This represents the lowest level within the Group at which goodwill is monitored for internal management purposes.

12 Property, plant and equipment

	Plant and equipment £'000	Assets in construction £'000	Total £'000
Cost			
At 1 January 2015	3,493	911	4,404
Transfer	911	(911)	-
At 31 December 2015	4,404	-	4,404
Accumulated depreciation			
At 1 January 2015	(1,066)	-	(1,066)
Charge for the year	(448)	-	(448)
At 31 December 2015	(1,514)	-	(1,514)
Accumulated Impairment			
At 1 January 2015	-	-	-
Charge for the year	(5)	-	(5)
At 31 December 2015	(5)	-	(5)
Net book value at 1 January 2015	2,427	911	3,338
Net book value at 31 December 2015	2,885	-	2,885

Notes to the financial statements for the year ended 31 December 2015

13 Investments

	Subsidiary undertakings £'000	Associated undertakings £'000	Available-for-sale investments £'000	Total £'000
Cost				
At 1 January 2014	12,717,755	403,957	577,638	13,699,350
Additions	13,044	20,938	24,914	58,896
Disposal	(17,489)	-	(20,574)	(38,063)
At 31 December 2014	12,713,310	424,895	581,978	13,720,183
Revaluation reserve				
At 1 January 2014	-	-	355,750	355,750
Movement in the year	-	-	(148,717)	(148,717)
Disposal	-	-	(22,931)	(22,931)
At 31 December 2014	-	-	184,102	184,102
Accumulated Impairment				
At 1 January 2014	-	-	-	-
Charge for the year	(1,662,710)	-	(81,763)	(1,744,473)
Disposals	-	-	1,992	1,992
At 31 December 2014	(1,662,710)	-	(79,771)	(1,742,481)
Carrying value at 1 January 2014	12,717,755	403,957	933,388	14,055,100
Carrying value at 31 December 2014	11,050,600	424,895	686,309	12,161,804
Cost				
At 1 January 2015	12,713,310	424,895	581,978	13,720,183
Additions	2,801,969	3,554	456,636	3,262,159
Disposal	(5,600,152)	(165,795)	(5,902)	(5,771,849)
Transfer in	-	289,088	165,795	454,883
Transfer out	-	(165,795)	(176,633)	(342,428)
At 31 December 2015	9,915,127	385,947	1,021,874	11,322,948
Revaluation reserve				
At 1 January 2015	-	-	184,102	184,102
Movement in the year	-	-	174,277	174,277
Disposal	-	-	(269,434)	(269,434)
Transfer out	-	-	(45,019)	(45,019)
At 31 December 2015	-	-	43,926	43,926
Accumulated Impairment				
At 1 January 2015	(1,662,710)	-	(79,771)	(1,742,481)
Charge for the year	(154,248)	-	(236,953)	(391,201)
Disposals	1,505,699	-	257	1,505,956
Transfer out	-	-	(67,436)	(67,436)
At 31 December 2015	(311,259)	-	(383,903)	(695,162)
Carrying value at 1 January 2015	11,050,600	424,895	686,309	12,161,804
Carrying value at 31 December 2015	9,603,868	385,947	681,897	10,671,712

Notes to the financial statements for the year ended 31 December 2015

13 Investments (continued)

Subsidiary Undertakings:

In March 2015, Glaxo Group Limited injected share capital of value £700m in its shareholding in Leo Osprey Limited. In March 2015, Glaxo Group Limited disposed of its investment in Leo Osprey Limited of carrying value £700m to Novartis as part of the Oncology transaction for £1,055m, resulting in a profit on disposal of £355m.

In March 2015 GSK Japan disposes of its shareholding in the newly created GlaxoSmithKline Consumer Healthcare Japan KK, for £nil consideration to Glaxo Group Limited. Subsequently, Glaxo Group Limited underwent a share for share transaction with GlaxoSmithKline Consumer Healthcare Holdings Limited for the shares it held in its subsidiary investment, GlaxoSmithKline Consumer Healthcare Japan KK held at a carrying value of £nil. Glaxo Group Limited received shares in GlaxoSmithKline Consumer Healthcare Limited of £12m, resulting in a profit on disposal of £12m. Glaxo Group Limited then subsequently disposed of these shares in GlaxoSmithKline Consumer Healthcare Holdings Limited to Setfirst Limited for qualifying consideration of £12m, resulting in nil gain or loss on disposal.

In March 2015, Glaxo Group Limited underwent a share for share transaction with GlaxoSmithKline Consumer Healthcare Holdings Limited for the shares it held in its subsidiary investment, GlaxoSmithKline Consumer Healthcare Pte Limited held at a carrying value of £1,129m. Glaxo Group Limited received shares in GlaxoSmithKline Consumer Healthcare Limited of £1,200m, resulting in a profit on disposal of £71m. Glaxo Group Limited then subsequently disposed of these shares in GlaxoSmithKline Consumer Healthcare Holdings Limited to Setfirst Limited for qualifying consideration of £1,200m, resulting in nil gain or loss on disposal.

In March 2015, Glaxo Group Limited underwent a share for share transaction with GlaxoSmithKline Consumer Healthcare Holdings Limited for the shares it held in its subsidiary investment, Stafford Miller Ireland Limited held at a carrying value of £163m. Glaxo Group Limited received shares in GlaxoSmithKline Consumer Healthcare Limited of £828m, resulting in a profit on disposal of £665m. Glaxo Group Limited then subsequently disposed of these shares in GlaxoSmithKline Consumer Healthcare Holdings Limited to Setfirst Limited for qualifying consideration of £828m, resulting in nil gain or loss on disposal.

In March 2015 Glaxo Group Limited underwent a share for share transaction with GlaxoSmithKline Consumer Healthcare Limited for the shares it held in its subsidiary investment, GlaxoSmithKline Consumer Healthcare SRL, which was held for £16m. Glaxo Group Limited received shares in GlaxoSmithKline Consumer Healthcare Limited of £45m, resulting in a profit on disposal of £29m. Glaxo Group Limited then subsequently disposed of these shares in GlaxoSmithKline Consumer Healthcare Holdings Limited to Setfirst Limited for qualifying consideration of £45m, resulting in nil gain or loss on disposal.

Associated undertakings:

Additions to associated undertakings mainly comprise of additions in Index Venture Funds for £0.6 million and Kurma Bio Fund for £3 million. The disposal and transfer out in the year is fully related to Aspen. The transfer in is fully related to Theravance. See Available-for-sale investments for a more detailed description.

Available-for-sale Investments:

On the 20th of March 2015, Glaxo Group Limited sold 50% of its shareholding in Aspen amounting to 28,234,379 shares to reduce its shareholding in the investment from 12.8% to 6.9%. The total proceeds on disposal were £564 million, with the carrying value of Aspen totalling £166 million, resulting in a profit on disposal of £398 million.

Aspen was held as an associated undertaking in Glaxo Group Limited. Following the disposal of 50% of the Company's shareholding in Aspen, the investment changed from an associated undertaking to an available-for-sale investment. On conversion to an available-for-sale investment, the investment is revalued to its fair value at the date of disposal, and then subsequently revalued at each balance sheet date. At the date of disposal, a gain on conversion from associated undertaking to available-for-sale investments was made on the remaining Aspen shares held by Glaxo Group Limited of £440 million, which is recognised in other comprehensive income.

In February 2015, the Company sold 4,471,202 shares held in Genmab of revalued carrying value of £212 million for sale proceeds of £191million, resulting in a loss on disposal of £21 million and a release of prior revaluation and foreign exchange movements of £212 million from other comprehensive income to the income statement.

In February 2015, the Company sold 5,851,855 shares held in Convergence/Navco of revalued carrying value of £21 million for sale proceeds of £21 million, resulting in nil gain or loss on disposal and a release of prior revaluation and foreign exchange movements of £17 million from other comprehensive income to the income statement.

In February, March and May 2015, the Company sold shares held in Regulus of revalued carrying value of £37 million for total sale proceeds of £37 million, resulting in nil gain or loss on disposal and a release of prior revaluation and foreign exchange movements of £37 million from other comprehensive income to the income statement.

In June 2015, the Company sold 461,538 shares held in Prosensa of revalued carrying value of £5m for total sale proceeds of £5m, resulting in nil gain or loss on disposal and a release of prior revaluation and foreign exchange movements of £3 million from other comprehensive income to the income statement.

Notes to the financial statements for the year ended 31 December 2015

13 Investments (continued)

In March 2015, the Company sold 627,000 shares held in Affymax of revalued carrying value of £nil for total sale proceeds of £13m, resulting in a £13 million gain on disposal and a release of prior revaluation and foreign exchange movements of £nil from other comprehensive income to the income statement.

Following the termination of a Governance agreement with Theravance Inc in 2015, Glaxo Group Limited obtained the right to exercise significant influence over their existing shareholding. Therefore the investment is transferred from an available-for-sale investment to associated undertaking. The investment was transferred for £289 million, resulting in nil gain or loss on conversion. There was also a release of prior revaluation and foreign exchange movements of £45 million from other comprehensive income to the income statement.

Additions to available-for-sale investments include £4.2 million for Theravance Rx, £0.4 million for Theravance Bio pharma, £0.1 million for Harvard Apparatus Regenerative Technology, Inc, £605.4 million for Aspen Pharmacare Holdings Limited, £1.3 million for Padlock Therapeutics, £0.5 million for Atreca, £0.5 million for Dementia Discovery Fund, £9.3 million for Valveva common shares and £0.7 million for Valveva preference shares.

Amounts written off investments of £391 million relate to a write-down in the carrying value of the the Company's subsidiary investment in Glaxo Investment UK Limited of £157 million and a write-down of £234 million in carrying value of the Company's available-for-sale investments.

Details of the subsidiary undertakings and associated undertakings of the Company as at 31 December 2015 are given in note 23.

14 Trade and other receivables

	2015 £'000	2014 £'000
Amounts due within one year		
Amounts owed by Group undertakings	5,431,621	3,389,235
Other debtors	267,462	243,450
Derivative financial instruments	-	550
Prepayments and accrued income	2,455	2,455
	5,701,538	3,635,690
Amounts due after more than one year		
Deferred tax (note 10)	10,801	12,411
	5,712,339	3,648,101

Amounts owed by Group undertakings are interest free, except for a call account balance with GlaxoSmithKline Finance plc of £3,903 million (2014: £nil) which is unsecured with and interest received at 0.3977% per annum and repayable on demand.

15 Investment properties

	Land and buildings £'000	Assets under construction £'000	Total £'000
Cost			
At 1 January 2015	19,354	1,088	20,442
Additions	-	1,121	1,121
At 31 January 2015	19,354	2,209	21,563
Accumulated depreciation			
At 1 January 2015	(5,800)	-	(5,800)
Charge for the year	(314)	-	(314)
At 31 December 2015	(6,114)	-	(6,114)
Net book value at 1 January 2015	13,554	1,088	14,642
Net book value at 31 December 2015	13,240	2,209	15,449

Notes to the financial statements for the year ended 31 December 2015

16 Assets held for sale

	Patents and licenses £'000
At 1 January 2014 and 31 December 2014	-
Additions	1,787,085
Disposals	(1,787,085)
At 31 December 2015	-

In March 2015, the Company has acquired a group of US intellectual property rights from GlaxoSmithKline LLC for £1,787 million. This group of US intellectual property rights were immediately transferred to a third party for £1,787 million, resulting in no gain or loss on disposal.

17 Creditors

	2015 £'000	2014 £'000
Amounts falling due within one year		
Trade payables	5,241	61,638
Amounts owed to Group undertakings	132,984	1,256,079
Bank overdrafts	1,845	6,198
Corporation tax	500,135	535,381
Derivative financial instruments	18,140	266,812
Other payables	1,423	8,527
Accruals and deferred income	33,052	28,861
	692,820	2,163,496
Amounts falling due after more than one year		
Accruals and deferred income	43,310	50,507
	736,130	2,214,003

Amounts owed to Group undertakings are interest free, except for a call account balance with GlaxoSmithKline Finance plc of £nil (2014: £1 million, which is unsecured with interest charged at 0.7337% per annum) and repayable on demand.

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

18 Provisions for liabilities

	Product liability £'000
At 1 January 2014	19,461
Charge for the year	500
Utilised	(1,600)
Reversal	(3,030)
Exchange loss	869
At 31 December 2014	16,200
At 1 January 2015	16,200
Charge for the year	(13,116)
Utilised	(2,756)
Exchange loss	343
At 31 December 2015	671

Glaxo Group Limited is involved in a number of legal and other disputes, including notification of possible claims. Provisions for legal and other disputes include amounts relating to government investigations, product liability, contract terminations, self-insurance, environmental clean-up and property rental. The Company's Directors, having taken legal advice, have established provisions after taking into account insurance and other agreements and having regard to the relevant facts and circumstances of each matter and in accordance with accounting requirements. In respect of product liability claims related to certain products, there is sufficient history of claims made and settlements to enable management to make a reliable estimate of the provision required to cover unasserted claims.

The Company's position could change over time, and there can, therefore, be no assurance that any losses that result from the outcome of any legal proceedings will not exceed the amount of the provisions reported in the Company's financial statements by a material amount. The largest individual amounts provided for are expected to be settled within 3 years.

For further detail concerning legal proceedings, refer to note 29 of the GlaxoSmithKline plc 2015 Annual Report.

Notes to the financial statements for the year ended 31 December 2015

19 Share capital

	2015 Number of shares	2014 Number of shares	2015 £'000	2014 £'000
Authorised				
Ordinary Shares of 50p each (2014: 50p each)	1,650,000,000	1,650,000,000	825,000	825,000
Issued and fully paid				
Ordinary Shares of 50p each (2014: 50p each)	1,617,988,119	1,617,988,119	808,994	808,994

20 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 2015 is limited to the amount held on its accounts with the bank. No loss is expected to accrue to the Company from the agreement.

21 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 (2014: £nil). Corporate Directors received no remuneration during the year, either as executives of the Group or in respect of their services to the Company (2014: £nil).

22 Fair value of derivative financial instruments

The Company has the following forward foreign exchange contracts, currency swap and collar option with the following fair values at the end of the year:

	2015 £'000	2014 £'000
Derivative liabilities (note 17) - forward foreign exchange contract- United States Dollar	-	(94,317)
Derivative liabilities (note 17) - collar option	-	(170,995)
Derivative liabilities (note 17) - forward foreign exchange contract- Japanese Yen	(16,493)	(1,403)
Derivative liabilities (note 17) - forward foreign exchange contract- United States Dollar	(76)	(45)
Derivative liabilities (note 17) - forward foreign exchange contract- United States Dollar	(1,525)	-
Derivative liabilities (note 17) - forward foreign exchange contract- Israeli New Sheqel	(43)	(52)
Derivative (liabilities)/assets (note 17/14) - forward currency swap contract- Euro	(3)	550
Value of derivative financial instruments	(18,140)	(266,262)

The notional principal amounts of the outstanding derivative instruments at 31 December 2015 were £415 million (2014: £5,132 million).

Derivative financial instruments are used to mitigate exposure to foreign exchange risks. The principal derivative instruments are forward foreign exchange currency contracts, foreign currency swaps and collar option. 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).

All outstanding contracts have a maturity of less than 12 months.

Notes to the financial statements for the year ended 31 December 2015

23 Subsidiaries and associated undertakings

The subsidiaries and associated undertakings of the Company as at 31 December 2015 are as follows:

Company	Direct shares held (%)	Indirect shares held (%)	Class of shares held	Country of Incorporation
Action Potential Venture Capital	100%	-	Ordinary	England
Affymax Research Institute	100%	-	Common	United States
Aners S.A	20%	-	Non-endorsable nominative ordinary	Argentina
Cellzome Inc	91.86% & 100%	3.25% & 0%	Ordinary & Preference	United States
Clarges Pharmaceuticals Limited	100%	-	Ordinary & Preference	England
Domantis Limited	100%	-	Ordinary	England
Edinburgh Pharmaceutical Industries Ltd	100%	-	Ordinary	Scotland
Edinburgh Pharmaceutical Industries Ltd	-	100%	Preference	Scotland
Etex Farmaceutica Ltda	98%	-	Ordinary	Chile
Glaxo Kabushiki Kaisha	100%	-	Ordinary	Japan
Glaxo Operations UK Ltd	100%	-	Ordinary	England
Glaxo Wellcome Farmaceutica, Limitada	100%	-	Ordinary Quota	Portugal
Glaxo Wellcome UK Ltd	100%	-	Ordinary	England
Glaxochem Pte Ltd	51%	49%	Ordinary	Singapore
GlaxoSmithKline Argentina S.A.	84%	-	Ordinary	Argentina
GlaxoSmithKline Chile Farmaceutica Limitada	22%	-	Ordinary	Chile
GlaxoSmithKline Export Ltd	100%	-	Ordinary	England
GlaxoSmithKline Intellectual Property Holdings Limited	93.3%	-	Ordinary	England
GlaxoSmithKline Intellectual Property Limited	100%	-	Ordinary	England
GlaxoSmithKline K.K.	65%	-	Ordinary	Japan
GlaxoSmithKline Korea Ltd	95%	-	Ordinary	Republic of Korea
GlaxoSmithKline Pharmaceutical Sdn Bhd	100%	-	Ordinary	Malaysia
GlaxoSmithKline Pharmaceuticals Ltd	36%	-	Ordinary	India
GlaxoSmithKline Pharmaceuticals S.A.	100%	-	Ordinary	Poland
GlaxoSmithKline Philippines Inc.	76%	-	Common	Philippines
GlaxoSmithKline Research & Development Limited	100%	-	Ordinary	England
GlaxoSmithKline S.A.E.	91%	-	Ordinary	Egypt
GlaxoSmithKline South Africa (Pty) Ltd	100%	-	Ordinary	South Africa
GlaxoSmithKline UK Ltd	100%	-	Ordinary	England
Laboratoires Paucourt	100%	-	Ordinary	France
Laboratoires Saint-Germain	100%	-	Ordinary	France
Maxinutrition Limited (in liquidation)	100%	-	Ordinary	England
Mixis Genetics Limited	100%	-	Ordinary	England
Montrose Fine Chemical Company Ltd	100%	-	Ordinary	Scotland
Stiefel Polska SP Z O.O. (in Liquidation)	100%	-	Ordinary	Poland
GSK Business Service Centre Sdn Bhd	100%	-	Ordinary	Malaysia
Theravance Inc	28%	-	Ordinary	United States
GlaxoSmithKline Pharmaceuticals S.A.	100%	-	Ordinary A Ordinary B Ordinary C Ordinary D	Poland
Laboratorios Phoenix Sociedad Anonima Industrial Comercial Y Financiera	-	25%	Non-endorsable nominative ordinary	Argentina
Alenfarma - Especialidades Farmaceuticas, Limitada	-	100%	Ordinary quota	Portugal
Allen & Hanburys Limited	-	100%	Ordinary	England
Amoun Pharmaceutical Industries Co. S.A.E.	-	90.5%	New monetary shares	Egypt
Biddle Sawyer Limited	-	36%	Ordinary	India
Cellzome GMBH	-	95.1%	Ordinary	Germany
Cellzome Limited	-	95.1%	Ordinary	England
Cellzome Therapeutics, Inc.	-	95.1%	Ordinary	United States
Duncan Pharmaceuticals Philippines Inc.	-	76%	Ordinary	Philippines
Glaxo Laboratories Limited	-	100%	Common	England
GlaxoSmithKline Intellectual Property (No.2) Limited	-	93.3%	Ordinary	England
GlaxoSmithKline Intellectual Property Development Limited	-	93.3%	Ordinary	England
GlaxoSmithKline Intellectual Property Management Limited	-	93.3%	Ordinary	England
GlaxoSmithKline Landholding Company, Inc	-	30.3%	Common	Philippines

Notes to the financial statements for the year ended 31 December 2015

23 Subsidiaries and associated undertakings (continued)

Company	Direct shares held (%)	Indirect shares held (%)	Class of shares held	Country of Incorporation
Group Laboratories South Africa (Pty) Limited	-	100%	Ordinary	South Africa
GSK Commercial Sp. z o.o.	-	100%	Ordinary	Poland
GSK Services Sp z o.o.	-	100%	Ordinary	Poland
Japan Vaccine Co., Limited	-	33%	Ordinary	Japan
Japan Vaccine Distribution Co., Limited	-	33%	Ordinary	Japan
Laboratorios Wellcome De Portugal Limitada	-	100%	Ordinary quota	Portugal
Modern Pharma Trading Company L.L.C.	-	100.0%	Ordinary	Egypt
Montrose Pharma Company Limited	-	100.0%	Ordinary quota	Hungary
Montrose Pharma UAB	-	100.0%	Ordinary	Lithuania
UCB Pharma Asia Pacific Sdn Bhd	-	100%	Ordinary	Malaysia

24 Post balance sheet events

On the 28 September 2016 the Group announced the sale of its remaining shareholding of 28.2 million shares in Aspen Pharmacare at an agreed price of 300 South African Rand per share. As at signing of the accounts, the transaction has not been finalised and therefore the net consideration to be received and the profit on disposal of the shares has not been determined.

25 First-time adoption of FRS 101 and correction of errors

The following tables and explanatory notes outline the impact of the first-time adoption of FRS 101 on the Company. Under FRS 101, the date of transition is 1 January 2014, being the beginning of the earliest reported financial year in the financial statements. The impact on equity as at the date of transition is summarised below:

Reconciliation of equity at 1 January 2014	Share capital £'000	Share premium account £'000	Other reserves £'000	Retained earnings £'000	Shareholder's funds £'000
As at 1 January 2014 as previously reported under UK GAAP	808,994	2,730,743	4,494,138	1,681,054	9,714,929
Reversal of early amortisation of intellectual property ³	-	-	-	1,001	1,001
Fair value true up in available-for-sale investments in 2013 ^{6a}	-	-	355,750	-	355,750
Reversal of foreign exchange and fair value movements in associated undertakings ⁷	-	-	80,757	-	80,757
As at 1 January 2014 in accordance with FRS 101	808,994	2,730,743	4,930,645	1,682,055	10,152,437

Notes to the reconciliation of equity at 1 January 2014:
See notes below the reconciliation of balance sheet for further details.

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Notes to the financial statements for the year ended 31 December 2015

25 First-time adoption of FRS 101 and correction of errors (continued)

Reconciliation of total comprehensive income for the year ended 31 December 2014:

		Adi 1	Adi 2	Adi 3	Adi 4	FRS 101 Transitional adjustments					Adi 7	Adi 8	Adi 9		Adi 11	
	Under previous GAAP 2014	Reversal of prior year amortisation of goodwill	Recategorisation of computer software from tangible assets to intangible assets	Reversal of early amortisation of intellectual property	Recategorisation of certain land and buildings and assets under construction to investment properties	Reversal of fair value and foreign exchange movements of subsidiary investments	Fair value true up in available-for-sale investments in 2013	Adi 5	Adi 6a	Adi 6b Foreign currency exchange movements and fair value movements on available-for-sale investments in 2014	Reversal of foreign exchange and fair value movements in associated undertakings	Fair value loss on derivative financial instruments and tax impact of adoption of FRS 101	Reclassification of foreign exchange difference on derivative financial instruments	TOTAL	Correction of errors	FRS 101 2014
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	94,208	-	-	-	-	-	-	-	-	-	-	-	-	-	(62,000)	32,206
Cost of sales	(79,713)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(79,713)
Gross profit	14,493	-	-	-	-	-	-	-	-	-	-	-	-	-	(62,000)	(47,507)
Administrative expenses	(37,321)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(37,321)
Research and development expenditure	(25,103)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(25,103)
Other operating expense	(143,371)	11,285	-	677	-	-	-	-	-	-	-	-	23,639	35,601	(22,507)	(130,277)
Income from subsidiaries and available-for-sale investments	2,186,966	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,186,966
Exceptional items:																
Product divestment income	20,194	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20,194
Gain on sale of fixed asset investments	3,442,869	-	-	-	-	(392)	-	(3,388)	-	-	-	-	-	(3,780)	-	3,439,089
Gain on sale of intangible fixed asset	29,274	-	-	-	-	-	-	-	-	-	-	-	-	-	-	29,274
Amounts written off investments	(1,434,378)	-	-	-	-	(310,096)	-	-	-	-	-	-	-	(310,096)	-	(1,744,474)
Operating profit	4,053,623	11,285	-	677	-	(310,488)	-	(3,388)	-	(3,388)	-	(1,996)	23,639	(278,275)	(84,507)	3,690,841
Finance income	720	-	-	-	-	-	-	-	-	-	-	-	-	-	-	720
Finance costs	(20,274)	-	-	-	-	-	-	-	-	-	-	(1,996)	-	(1,996)	-	(22,270)
Profit on ordinary activities before taxation	4,034,069	11,285	-	677	-	(310,488)	-	(3,388)	-	(3,388)	-	(1,996)	23,639	(280,271)	(84,507)	3,669,291
Taxation	41,366	-	-	-	-	-	-	-	-	-	-	399	-	399	-	41,765
Profit for the year	4,075,435	11,285	-	677	-	(310,488)	-	(3,388)	-	(3,388)	-	(1,597)	23,639	(279,872)	(84,507)	3,711,056
Items that may be subsequently reclassified to the income statement:																
Movement in currency value of fixed asset investments	(45,837)	-	-	-	-	45,837	-	-	-	-	-	-	-	45,837	-	-
Movement in currency value and fair value of available-for-sale investments	-	-	-	-	-	-	-	(148,717)	-	-	-	-	-	(148,717)	-	(148,717)
Release of fair value and foreign currency movements on disposal of equity investments	-	-	-	-	-	-	-	(22,931)	-	-	-	-	-	(22,931)	-	(22,931)
Foreign exchange gains on forward foreign exchange contracts taken to other reserves	23,639	-	-	-	-	-	-	-	-	-	-	-	(23,639)	(23,639)	-	-
Revaluation of fixed asset investments	1,130,929	-	-	-	-	(1,130,929)	-	-	-	-	-	-	-	(1,130,929)	-	-
Other comprehensive income / (loss) for the year	1,108,731	-	-	-	-	(1,085,092)	-	(171,648)	-	(171,648)	-	-	(23,639)	(1,280,379)	-	(171,648)
Total comprehensive income for the year	5,184,165	11,285	-	677	-	(1,395,580)	-	(175,036)	-	(175,036)	-	(1,597)	-	(1,560,251)	(84,507)	3,539,408

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Notes to the financial statements for the year ended 31 December 2015

25 First-time adoption of FRS 101 and correction of errors (continued)

Reconciliation of balance sheet for the year ended 31 December 2014:

	Adi 1	Adi 2	Adi 3	Adi 4	FRS 101 Transitional adjustments				Adi 7	Adi 8	Adi 9		Adi 10	Adi 11	
	Under previous GAAP 2014	Reversal of prior year amortisation of goodwill	Recategorisation of computer software from tangible assets to intangible assets	Reversal of early amortisation of intellectual property	Recategorisation of certain land and buildings and assets under construction to investment properties	Reversal of fair value and foreign exchange movements of subsidiary investments	Fair value true up in available-for-sale investments in 2013	Adi 6a Foreign currency exchange movements and fair value movements on available-for-sale investments in 2014	Reversal of foreign exchange and fair value movements in associated undertakings	Fair value loss on derivative financial instruments and tax impact of adoption of FRS 101	Reclassification of foreign exchange difference on derivative financial instruments	TOTAL	Correction of errors	FRS 101 2014	
Non-current assets															
Tangible assets															
Land and buildings	13,555	-	-	-	(13,555)	-	-	-	-	-	-	(13,555)	-	-	
Plant and equipment	2,436	-	(9)	-	-	-	-	-	-	-	-	(9)	-	-	2,427
Assets under construction	1,998	-	-	-	-	(1,087)	-	-	-	-	-	(1,087)	-	-	911
	17,989	-	(9)	-	(14,642)	-	-	-	-	-	-	(14,651)	-	-	3,338
Intangible assets															
Goodwill	55,981	11,285	-	-	-	-	-	-	-	-	-	11,286	-	-	67,246
Licenses and patents	18,966	-	-	1,678	-	-	-	-	-	-	-	1,678	-	-	20,644
Computer software			9	-	-	-	-	-	-	-	-	9	-	-	9
	74,927	11,285	9	1,678	-	-	-	-	-	-	-	12,972	-	-	87,899
Investments															
Investments in subsidiary undertakings	12,448,179	-	-	-	-	(1,395,580)	-	-	-	-	-	(1,395,580)	-	-	11,050,599
Investments in associates and joint ventures	325,310	-	-	-	-	-	-	-	80,757	-	-	80,757	18,827	-	424,894
Available-for-sale investments	505,597	-	-	-	-	-	355,750	(175,036)	-	-	-	180,714	-	-	686,311
	13,277,086	-	-	-	-	(1,395,580)	355,750	(175,036)	80,757	-	-	(1,134,109)	18,827	-	12,161,804
Investment properties	-	-	-	-	14,642	-	-	-	-	-	-	14,642	-	-	14,642
Total non-current assets	13,370,002	11,285	-	1,678	-	(1,395,580)	355,750	(175,036)	80,757	-	-	(1,121,148)	18,827	-	12,267,683
Current assets															
Trade and other receivables	3,732,219	-	-	-	-	-	-	-	-	389	-	389	-	(84,507)	3,648,101
Cash and cash equivalents	8,284	-	-	-	-	-	-	-	-	-	-	-	-	-	8,284
	3,738,483	-	-	-	-	-	-	-	-	389	-	389	-	(84,507)	3,654,365
Total assets	17,108,485	11,285	-	1,678	-	(1,395,580)	355,750	(175,036)	80,757	389	-	(1,120,757)	18,827	(84,507)	15,922,048
Current liabilities															
Trade and other payables	(2,142,683)	-	-	-	-	-	-	-	-	(1,986)	-	(1,986)	(18,827)	-	(2,163,496)
Non-current liabilities															
Other provisions	(18,200)	-	-	-	-	-	-	-	-	-	-	-	-	-	(18,200)
Creditors: amounts falling due after more than one year	(50,507)	-	-	-	-	-	-	-	-	-	-	-	-	-	(50,507)
Total non-current liabilities	(68,707)	-	-	-	-	-	-	-	-	-	-	-	-	-	(68,707)
Total liabilities	(2,209,390)	-	-	-	-	-	-	-	-	(1,986)	-	(1,986)	(18,827)	-	(2,230,203)
Net assets	14,899,095	11,285	-	1,678	-	(1,395,580)	355,750	(175,036)	80,757	(1,597)	-	(1,122,743)	-	(84,507)	13,691,845
Equity															
Share capital	808,994	-	-	-	-	-	-	-	-	-	-	-	-	-	808,994
Share premium account	2,730,743	-	-	-	-	-	-	-	-	-	-	-	-	-	2,730,743
Other reserves	5,602,869	-	-	-	-	(1,085,092)	355,750	(171,848)	80,757	-	(23,639)	(843,872)	-	-	4,758,997
Retained earnings	5,758,489	11,285	-	1,678	-	(310,488)	-	(3,388)	-	(1,597)	23,639	(278,871)	-	(84,507)	5,393,111
Shareholders' equity / (deficit)	14,899,095	11,285	-	1,678	-	(1,395,580)	355,750	(175,036)	80,757	(1,597)	-	(1,122,743)	-	(84,507)	13,691,845

Notes to the financial statements for the year ended 31 December 2015

25 First-time adoption of FRS 101 and correction of errors (continued)

Notes to the reconciliation of equity, total comprehensive income and balance sheet at 31 December 2014:

<u>Adjustments</u>	<u>Description of adjustment</u>
1	Reversal of prior year amortisation on goodwill of £11 million. Under FRS 100 goodwill is not amortised but is assessed for impairment annually.
2	Computer software recategorised from tangible assets to other intangible assets per FRS 101 transition of £9k.
3	Reversal of previous early amortisation on intangibles. £1 million relates to amortisation prior to 2014 and have been adjusted through retained earnings and £0.7 million relates to 2014 amortisation and has been adjusted through the statement of comprehensive income.
4	Recategorise the North Mymms Training and Conference Centre and Berkeley Square from land and buildings to investment properties.
5	Reversal of revaluation of subsidiary undertakings to their net assets in prior year of £1,130 million as Alternate Accounting Rules of the Companies Act 2006 do not exist under IFRS/FRS 101. This includes a reversal of foreign exchange revaluation of subsidiary undertakings in prior year of -£46m. Total adjustments to other reserves was £1,085 million. Further adjustment to increase the impairment of investments by £310m in prior year. Total adjustments to investments was £1,395 million.
6a	Equity investments are treated as available-for-sale investments and are revalued to their fair value at the end of the year. Deemed cost is taken from 31 December 2013 of £578 million. On the day that deemed cost is calculated, the portfolio has to be revalued to its fair value, therefore on the 31 December 2013, a revaluation of £356 million is recorded in other reserves.
6b	Equity investments are treated as available-for-sale investments and are revalued to their fair value at the end of the year. The movement in relation to the 2014 revaluation of equity investments was negative £149 million. There was a release of negative £23 million of accumulated fair value gains to the income statement due to the disposal of an equity investment in 2014. This was fully offset by the increase in value of the investment by £23 million in 2014, resulting in the gain on disposal also reducing by £23 million. A further adjustment of £3 million was made to reduce the gain on disposal of equity investments.
7	Reversal of all non-cost adjustments previously made to associated undertakings have been reversed under FRS 101 of £81 million. The adjustment increases the value of the associated undertakings by £81 million and reduces opening other reserves by £81 million.
8	An additional adjustment of £2 million has been recognised in finance expense to bring the derivative financial asset on the balance sheet as at 31 December 2014 up to its fair value.
9	Under IFRS there is a direct recognition in the income statement of foreign exchange differences on derivative financial instruments. There is a further £0.4m tax adjustment for changes in the tax under the adoption of FRS 101.
10	A correction of error of £19 million is made to adjust the additions to associated undertakings in 2014.
11	A correction of error totalling £85 million is made to adjust turnover (£62 million) and other operating expenses (£23 million) and intercompany debtors (£85 million) to account for the offset of costs against income received from other Group companies earned on a divestment project in 2014. The £23 million accounts for the net divestment expenses on the project.