# GlaxoSmithKline Capital plc
**(Registered Number 2258699)**

**Annual Report and Financial Statements**

**For the year ended 31st December 2005**

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

**GlaxoSmithKline Capital plc**

**Annual Report and Financial Statements**

**For the year ended 31st December 2005**

**GlaxoSmithKline Capital plc**

# Directors' Report for the year ended 31st December 2005

The Directors submit their report and the audited financial statements for the year ended 31st December 2005.

## Principal activities

The Company provides financial services to fellow subsidiaries of GlaxoSmithKline plc (the Group). The Directors do not envisage any change to the nature of the business in the foreseeable future.

## Financial Instruments

The Company had several interest rate swaps outstanding with commercial banks at 31st December 2005. These were entered into to manage the fixed/floating interest rate profile of debt. For details on Financial Risk Management, please see Treasury Policy on page 8 (note 2).

## Review of business

The Company made a profit on ordinary activities after taxation of £2,986,000 (2004 - £1,578,000). The Directors are of the opinion that the current level of activity and the year end financial position are satisfactory and will remain so in the foreseeable future.

The retained profit for the year of £1,513,000 will be transferred to reserves (2004 - retained loss for the year of £1,389,000 transferred from reserves).

## Results and dividends

The Company's results for the financial year are shown in the profit and loss account on page 4.

The Company paid an interim dividend of £1,473,000 on 23rd August 2005 (2004 - £2,967,000) to the holders of the Company's Ordinary Shares in respect of the year ended 31st December 2005. No final dividend is proposed to the holders of Ordinary Shares in respect of the year ended 31st December 2005 (2004 - £nil).

## Directors and their interests

The Directors of the Company who served during the year are as follows:

Edinburgh Pharmaceutical Industries Limited
Glaxo Group 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, except where such an interest may arise in the ordinary course of business.

Save as disclosed, no arrangements to which the Company was a party existed at the end of the year, or at any time during the year, which would enable the Directors to acquire benefits through the acquisition of shares, or debentures of the Company, or any body corporate within the Group.

At 31st December 2005 none of the Directors had beneficial interests in the shares of any other Group company, except where such a beneficial interest may arise in the ordinary course of business.

**GlaxoSmithKline Capital plc**

**Directors' Report for the year ended 31st December 2005**

### 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 its duties.

### Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit or loss for that year.

In preparing the financial statements the Directors are required to:
- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors confirm that they have complied with the above requirements in preparing the financial statements. A change in accounting policy has arisen on the adoption of a new accounting pronouncement as explained on page 7 under Note 1 'Accounting policies'.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

### Auditors

PricewaterhouseCoopers LLP are willing to continue in office as auditors and resolutions dealing with their reappointment and remuneration will be proposed at the Company's Annual General Meeting.

By order of the Board

**Victoria Llewellyn**
**Company Secretary**
10th March 2006

**GlaxoSmithKline Capital plc**

**Independent Auditors' Report to the members of GlaxoSmithKline Capital plc**

We have audited the financial statements of GlaxoSmithKline Capital plc for the year ended 31st December 2005 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of total recognised gains and losses, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

**Respective responsibilities of directors and auditors**
As described in the Statement of Directors' Responsibilities the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**
In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31st December 2005 and of its profit for the year then ended; and

- have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
10th March 2006

## GlaxoSmithKline Capital plc

## Profit and Loss Account
## For the year ended 31st December 2005

| | Notes | 2005 £'000 | 2004 £'000 |
|---|---|---|---|
| Administrative expenses | | (119) | 51 |
| **Operating profit/(loss)** | 3 | (119) | 51 |
| Net interest receivable | 4 | 4,385 | 2,203 |
| **Profit on ordinary activities before taxation** | | 4,266 | 2,254 |
| Taxation | 5 | (1,280) | (676) |
| **Profit on ordinary activities after taxation** | | 2,986 | 1,578 |
| **Dividends** | 6 | (1,473) | (2,967) |
| **Retained profit/(loss)** | | 1,513 | (1,389) |

The results disclosed above relate entirely to continuing operations.

There is no difference between the profit on ordinary activities before taxation and the retained profit/(loss) stated above and their historical cost equivalents.

The notes on pages 7 to 16 form part of these financial statements.

## GlaxoSmithKline Capital plc

## Statement of Total Recognised Gains and Losses
## For the year ended 31st December 2005

| | 2005 £'000 | 2004 £'000 |
|---|---|---|
| **Retained profit/(loss) for the year** | **1,513** | (1,389) |
| Unrealised loss on fair value of cash flow hedge | **(6,279)** | - |
| Tax on unrealised loss | **1,884** | - |
| **Total gains and losses recognised in the year** | **(2,882)** | (1,389) |

The notes on pages 7 to 16 form part of these financial statements.

## GlaxoSmithKline Capital plc

## Balance Sheet
## As at 31st December 2005

| | Notes | 2005 £'000 | 2004 £'000 |
|---|---|---|---|
| Debtors: amounts due within one year | 7 | **341,453** | 526,844 |
| Debtors: amounts due after one year | 7 | **3,478,918** | 2,722,763 |
| Cash at bank | 9 | **21** | 3,365 |
| **Current assets** | | **3,820,392** | 3,252,972 |
| Bank loans and overdrafts | 9 | **(290,671)** | (499,582) |
| Other creditors | 8 | **(62,303)** | (45,928) |
| **Creditors: amounts due within one year** | | **(352,974)** | (545,510) |
| **Net current assets** | | **3,467,418** | 2,707,462 |
| **Total assets less current liabilities** | | **3,467,418** | 2,707,462 |
| Loans due after one year | 8 | **(3,462,543)** | (2,698,678) |
| Other creditors | 8 | **(9,099)** | (7,106) |
| **Creditors: amounts due after one year** | | **(3,471,642)** | (2,705,784) |
| **Net assets** | | **(4,224)** | 1,678 |
| **Capital and reserves** | | | |
| Called up share capital | 11 | **100** | 100 |
| Profit and loss account | 12 | **71** | 1,578 |
| Other reserves | 12 | **(4,395)** | - |
| **Equity shareholders' funds** | 13 | **(4,224)** | 1,678 |

**The accounts on pages 4 to 16 were approved by the Board of Directors on 10th March 2006 and were signed on its behalf by:**

P. Ansell.

**P Ansell**
**For and on behalf of Edinburgh Pharmaceutical Industries Limited – Director**

The notes on pages 7 to 16 form part of these financial statements.

GlaxoSmithKline Capital plc

## Notes to the Financial Statements for the year ended 31st December 2005

### 1 Accounting policies

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

**(a) Basis of accounting**

These financial statements have been prepared using the historical cost convention, and have been drawn up in accordance with UK generally accepted accounting principles and with UK accounting presentation.

Where necessary, comparitive information has been reclassified to ensure consistency of presentation with the current year.

**(b) Foreign currency transactions**

Foreign currency transactions are booked in local currency at the exchange rate ruling on the date of the transaction, or at the forward rate if hedged by a forward exchange contract. Foreign currency assets and liabilities are translated into local currency at rates of exchange ruling at the balance sheet date, or at the forward rate. Exchange differences are included in operating profit.

**(c) Dividends paid and received**

Dividends paid and received are included in the profit and loss account in the period in which the related dividend is actually paid or received.

**(d) Interest**

Interest receivable and similar income and interest payable and similar charges are brought to account on an accruals basis.

**(e) Bond expenses**

Bond expenses are included as a component of the debt principal and are amortised evenly over the length of the debt.

**(f) Expenditure**

Expenditure is recognised in respect of goods and services received when supplied in accordance with contractual terms. 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.

**(g) Debt instruments**

Debt instruments are stated at the amount of net proceeds adjusted to amortise the finance cost of debt evenly over the term of the debt, and for movements in the fair value of the bond, where hedge accounting is applicable.

**(h) Derivative financial instruments**

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

Derivative financial instruments are initially recognised in the balance sheet at cost and then remeasured at subsequent reporting dates to fair value. Hedging derivatives are classified on inception as fair value hedges, cash flow hedges or net investment hedges. Changes in the fair value of derivatives designated as fair value hedges are recorded in the income statement, with the changes in the fair value of the hedged asset or liability.

Changes in the fair value of derivatives designated as cash flow hedges are recognised in equity. Amounts deferred in equity are transferred to the income statement in line with the hedged forecast transaction.

Hedges of net investments in foreign entities are accounted for in a similar way to cash flow hedges.

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

The effective portion of changes in the fair value of derivatives that are designated and qualify as hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

GlaxoSmithKline Capital plc

## Notes to the Financial Statements for the year ended 31st December 2005

**1 Accounting policies (continued)**

**(i) Changes to Accounting Policies**

FRS 26 (IAS39) Financial Instruments: Measurement, has been applied for the first year in 2005. The 2004 comparative figures have not been restated for this change in policy, instead there is an adjustment to opening equity in Note 13 of this report. The effect of this adoption is the revaluation of financial assets and liabilities to fair value, which includes the valuation of derivative instruments at market rates. Refer to Note 14. Presentational requirements under FRS 25 Financial Instruments: Disclosure and Presentation, have also been applied for the first year in 2005.

The Accounting Standards Board issued Financial Reporting Standard (FRS) 21 'Events after the balance sheet date' in May 2004. This standard replaces Statement of Standard Accounting Practice 17 'Accounting for post balance sheet events' and the main effect of this change is to prohibit the recording of a provision for a proposed dividend where the dividend is declared after the balance sheet date. FRS 21 is applicable for accounting periods beginning on or after 1st January 2005. Therefore final dividends are now only recognised in the profit and loss account when shareholders have approved such amount and interim dividends are only recognised when paid. The adoption of FRS21 has had no impact on the previously issued financial statements of the Company.

**2 Treasury policy**

Group treasury policies noted below are those operated by GlaxoSmithKline Capital plc.

The Company's role in managing the Group objectives is primarily to manage the Group's external funding requirements and the resulting financial risk.

**(a) Treasury**

The Company's ultimate parent undertaking GlaxoSmithKline plc is a UK-based business, reporting in sterling and paying dividends out of sterling profits.

The role of Corporate Treasury in the Group is to manage and monitor the Group's external and internal funding requirements and financial risks in support of Group corporate objectives. Treasury activities are governed by policies and procedures approved by the Group Board and monitored by a Treasury Management Group. The Group maintains treasury control systems and procedures to monitor foreign exchange, interest rate, liquidity, credit and other financial risks.

**(b) Treasury operations**

The objective of treasury activity is to manage the post-tax net cost/income of financial operations to the benefit of Group earnings. The Company does not operate as a profit centre.

The Group does not hold or issue derivative financial instruments for trading purposes and the Group's Treasury policies specifically prohibit such activity. All transactions in financial instruments are undertaken to manage the risks arising from underlying business activities, not for speculation.

**(c) Maturity and counterparty risk**

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

The Group manages its net borrowing requirements through a portfolio of long-term borrowings, including bonds, together with short-term finance under the US$10 billion commercial paper programme. In 2005, two bonds were issued under the European Medium Term Note programme: a € 750 million, seven year, 3% coupon bond, and a € 750 million, 20 year, 4% coupon bond.

The Group's long-term borrowings mature at dates between 2006 and 2034. These include a private financing which, although maturing in 2032, may be redeemed by GSK at any time and, in particular, in the event of any accelerating event that would increase the cost of funding for the Group. GSK's long-term debt rating is AA from Standard and Poor's and Aa2 from Moody's Investors' Services. The agencies' short-term ratings for paper issued under the Group's commercial paper programme are A-1+ and P-1 respectively.

**(d) Interest rate risk management**

The Group's policy on interest rate risk management requires that the amount of net borrowings at fixed rates increases with the ratio of forecast net interest payable to trading profit. At 31st December 2005, £1,474 million (2004: £1,463 million) of the Company's net borrowings were exposed to floating interest rates after the effects of hedging.

GlaxoSmithKline Capital plc

**Notes to the Financial Statements for the year ended 31st December 2005**

## 3 Operating profit

| | 2005 £'000 | 2004 £'000 |
|---|---|---|
| **The following items have been credited in operating profit** | | |
| Exchange gains/(losses) on foreign currency transactions | (119) | 52 |

The Auditors' remuneration has been borne by the Group.

## 4 Net interest receivable

| | 2005 £'000 | 2004 £'000 |
|---|---|---|
| **Interest payable** | | |
| On MTNs and Eurobonds | (183,151) | (165,534) |
| Amortisation of bond expenses | (4,211) | (3,515) |
| Ineffectiveness on fair value hedges | (1,949) | - |
| | (189,311) | (169,049) |
| **Interest income** | | |
| Net swap interest income | 9,999 | 25,547 |
| Interest income on bank deposits | 136 | 209 |
| On loans with group undertakings | 179,241 | 145,496 |
| Ineffectiveness on fair value hedges | 4,320 | - |
| | 193,696 | 171,252 |
| | 4,385 | 2,203 |

## 5 Taxation

| **Taxation charge based on profits for the period** | 2005 £'000 | 2004 £'000 |
|---|---|---|
| UK corporation tax at 30% (2004: 30%) | 1,280 | 676 |
| | 1,280 | 676 |

| **Reconciliation of current taxation charge** | 2005 £'000 | 2004 £'000 |
|---|---|---|
| Tax on ordinary profits at UK standard tax rate | 1,280 | 676 |
| Permanent Disallowables - interest treated as paid by ultimate parent | 56,793 | 50,689 |
| Permanent Deductions - group relief surrendered for no payment | (56,793) | (50,689) |
| Current tax charge for the period | 1,280 | 676 |

## 6 Dividends paid

| | pence per share | £'000 |
|---|---|---|
| **Dividends paid in 2005** | | |
| Interim dividend paid on 23rd August 2005 | 1,473 | 1,473 |
| **Dividends paid in 2004** | | |
| Interim dividend paid on 15th November 2004 | 2,967 | 2,967 |

GlaxoSmithKline Capital plc

## Notes to the Financial Statements for the year ended 31st December 2005

### 7 Debtors

| | 2005 £'000 | 2004 £'000 |
|---|---|---|
| **Amounts due within one year** | | |
| Amounts owed by group undertakings - loans | 289,222 | 498,322 |
| Amounts owed by group undertakings - current account | 50,429 | 28,468 |
| Other debtors | 2 | 54 |
| Deferred tax asset | 1,294 | - |
| Taxation | 506 | - |
| | 341,453 | 526,844 |
| **Amount due after one year** | | |
| Amounts owed by group undertakings | 3,405,625 | 2,600,613 |
| Other debtors | 73,293 | 122,150 |
| | 3,478,918 | 2,722,763 |
| | 3,820,371 | 3,249,607 |

Other debtors consist of Derivative Instruments and Accrued Swap interest.

### 8 Other creditors

| | 2005 £'000 | 2004 £'000 |
|---|---|---|
| **Amounts due within one year** | | |
| Amounts owed to group undertakings | 676 | 600 |
| Taxation | - | 774 |
| Other creditors | 61,627 | 44,554 |
| | 62,303 | 45,928 |
| **Amount due after one year** | | |
| Loans | 3,462,543 | 2,698,678 |
| Other creditors | 9,099 | 7,106 |
| | 3,471,642 | 2,705,784 |
| | 3,533,945 | 2,751,712 |

Other creditors consist of Derivative Instruments, Accrued Swap interest and Accrued Bond interest expense.

### 9 Net Debt

| | 2005 £'000 | 2004 £'000 |
|---|---|---|
| Cash at bank | 21 | 3,365 |
| Amounts owed by group undertakings (see note 7) | 3,694,847 | 3,098,935 |
| Interest rate swaps | 9,679 | - |
| Currency swaps | 54,515 | 97,781 |
| | 3,759,062 | 3,200,081 |
| Loans and overdrafts due within one year: | | |
| Eurobonds and Medium-Term Notes | (290,671) | (499,582) |
| Loans due after one year: | | |
| Eurobonds and Medium-Term Notes | (3,462,543) | (2,698,678) |
| **Net debt** | 5,848 | 1,821 |

Eurobonds and Medium-Term Notes includes £10,674,000 amortised bond expenses (2004 - £8,142,000).
For consistency of treatment £97,781,000 has been reclassified into net debt in 2004 to ensure consistency with the current year disclosure.

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**Notes to the Financial Statements for the year ended 31st December 2005**

## 9 Net Debt (continued)

**Loans due after one year**

Loans due after one year are repayable over various periods as follows:

| | 2005 £'000 | 2004 £'000 |
|---|---|---|
| Between one and two years | 283,016 | 260,048 |
| Between two and five years | 1,190,494 | 1,463,364 |
| After five years | 1,989,033 | 975,266 |
| | **3,462,543** | 2,698,678 |

The loans repayable after five years carry interest rates of 5.25 per cent (GBP), 3 per cent and 4 per cent (EURO). The repayment dates are 19th December 2033, 18 June 2012 and 16 June 2025 respectively.
The loans due after 5 years are repayable other than by instalments.

**Financial instruments**

Further information is given in Note 14.

## 10 Deferred taxation asset

| | 2005 £'000 | 2004 £'000 |
|---|---|---|
| Short term timing differences | 1,294 | - |
| | **1,294** | - |

| **Deferred tax asset** | **Total £'000** |
|---|---|
| At 1st January 2005 | - |
| Other movements | **1,294** |
| At 31st December 2005 | **1,294** |

## 11 Called up share capital - equity interests

| | 2005 Number of shares | 2004 Number of shares | 2005 £'000 | 2004 £'000 |
|---|---|---|---|---|
| **Authorised** | | | | |
| Ordinary Shares of £1 each | **100,000** | 100,000 | **100** | 100 |
| **Issued and fully paid** | | | | |
| Ordinary Shares of £1 each | **100,000** | 100,000 | **100** | 100 |

## 12 Reserves - equity interests

| | Profit & Loss account £'000 | Other Reserves £'000 | Total Reserves £'000 |
|---|---|---|---|
| At 1st January 2005 (as originally stated) | 1,578 | - | **1,578** |
| FRS 26 Adjustment | (3,020) | - | **(3,020)** |
| At 1st January 2005 (restated) | (1,442) | - | **(1,442)** |
| Retained Profit for the financial year | 1,513 | - | **1,513** |
| Fair value cash flow hedge | - | (4,395) | **(4,395)** |
| At 31st December 2005 | 71 | (4,395) | **(4,324)** |

## 13 Reconciliation of movement in shareholders' funds

| | 2005 £'000 | 2004 £'000 |
|---|---|---|
| Profit for the financial year | **2,986** | 1,578 |
| Dividends | **(1,473)** | (2,967) |
| Fair value cash flow hedge (net of taxation) | **(4,395)** | - |
| Net addition to shareholders' funds | **(2,882)** | (1,389) |
| Opening shareholders' funds | **1,678** | 3,067 |
| Opening balance FRS26 Adjustment (net of taxation) | **(3,020)** | - |
| Closing shareholders' funds – equity interests | **(4,224)** | 1,678 |

## 14 Financial instruments and related disclosures

**Policies**
Treasury Policies are detailed in note 2.

**Foreign exchange risk management**

At the end of the year the Company had currency swaps in place in respect of foreign currency medium-term debt instruments.

**Interest rate risk management**

To manage the fixed/floating interest rate profile of debt, the Company had several interest rate swaps outstanding with commercial banks at 31st December 2005.

**Concentrations of credit risk and credit exposures financial instruments**

The Company does not believe it is exposed to major concentrations of credit risk. The Company is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments, but does not expect any counterparties to fail to meet their obligations. The Company applies GlaxoSmithKline plc Board approved limits to the amount of credit exposure to any one counterparty and employs strict minimum credit worthiness criteria as to the choice of counterparty.

**Fair value of financial assets and liabilities**

The table on page 13 presents the carrying amounts under UK GAAP and the fair values of the Company's financial assets and liabilities at 31st December 2005 and 31st December 2004.

The first time adoption of FRS 26 for 31st December 2005 means that, where hedge accounting is applicable, the carrying value of financial assets and liabilities are equal to their fair value adjusted for amortised costs. As permitted by the standard, the 2004 comparatives have not been adjusted for this change in accounting policy.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values shown above:

- Cash at bank – approximates to the carrying amount.
- Short-term loans and overdrafts – approximates to the carrying amount because of the short maturity of these instruments.
- Medium-term loans – market value based on quoted market prices in the case of the Eurobonds and other fixed rate borrowings; approximates to the carrying amount in the case of floating rate bank loans and other loans.
- Currency swaps – based on market valuations at the balance sheet date.
- Interest rate instruments – fair value is determined using the net present value of discounted cash flows.
- Debtors and creditors – approximates to the carrying amount.

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## Notes to the Financial Statements for the year ended 31st December 2005

### 14 Financial instruments and related disclosures (continued)

**Classification and fair values of financial assets and liabilities**

The following table sets out the classification of financial assets and liabilities per the Balance Sheet.

| | At 31.12.05 | | At 31.12.04 | |
|---|---|---|---|---|
| | **Carrying amount £'000** | **Fair value £'000** | Carrying amount £'000 | Fair value £'000 |
| **Net debt** | | | | |
| Cash at bank | **21** | **21** | 3,365 | 3,365 |
| Amounts owed by Group undertaking | **3,694,847** | **3,694,847** | 3,098,935 | 3,098,935 |
| Current asset financial instruments | **3,694,868** | **3,694,868** | 3,102,300 | 3,102,300 |
| Sterling notes and bonds | **(976,120)** | **(1,096,940)** | (1,474,848) | (1,474,848) |
| | **(976,120)** | **(1,096,940)** | (1,474,848) | (1,474,848) |
| US dollar notes and bonds | **(573,687)** | **(579,782)** | (519,863) | (512,411) |
| Notes and bonds swapped into US dollars | **(501,682)** | **(501,343)** | (498,442) | (496,812) |
| | **(1,075,369)** | **(1,081,125)** | (1,018,305) | (1,009,223) |
| Euro notes and bonds | **(1,701,725)** | **(1,704,138)** | (705,107) | (717,020) |
| | **(1,701,725)** | **(1,704,138)** | (705,107) | (717,020) |
| Total borrowings | **(3,753,214)** | **(3,882,203)** | (3,198,260) | (3,201,091) |
| Total derivative instruments for management of net debt | **64,194** | **64,194** | 97,781 | 102,235 |
| **Total net debt (per note 9)** | **5,848** | **(123,141)** | 1,821 | 3,444 |
| Other Debtors * | **52,231** | **52,231** | 28,522 | 28,522 |
| Other Creditors * | **(62,303)** | **(62,303)** | (45,928) | (45,928) |
| Other debtors after 1 year (per note 7) ** | **-** | **-** | 24,369 | 24,369 |
| Other creditors after 1 year (per note 8) ** | **-** | **-** | (7,106) | (7,106) |
| Total financial assets and liabilities | **(4,224)** | **(115,015)** | 1,678 | 3,301 |
| Total financial assets | **3,820,392** | **3,820,392** | 3,252,972 | 3,257,426 |
| Total financial liabilities | **(3,824,616)** | **(3,935,407)** | (3,251,294) | (3,254,125) |

Total Financial assets agrees to Current Assets on the face of the Balance Sheet. Total Financial liabilities agrees to due within one year and due in greater than one year on the face of the Balance Sheet.

* - including short-term trading balances with Group companies.
** - excluding total derivative instruments for management of net debt, which is shown separately above.

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Notes to the Financial Statements for the year ended 31st December 2005

## 14 Financial instruments and related disclosures (continued)

### Currency and interest rate risk profile of financial liabilities

Financial liabilities after taking account of currency and interest rate swaps, are analysed below.

Total financial liabilities below comprise total borrowings of £3,753,214,000 (2004 - £3,198,260,000) and creditors due after one year of £9,099,000 (2004 - £7,106,000). Creditors due within one year of £62,303,000 have been excluded. (2004 - £45,928,000)

The benchmark rate for determining interest payments for all floating rate financial liabilities in the table below is LIBOR.

| At 31st December 2005 | Fixed rate | | | Floating rate | Non-interest bearing | | |
|---|---|---|---|---|---|---|---|
| Currency | £'000 | Average interest rate % | Average years for which rate is fixed | £'000 | £'000 | Average years to maturity | Total £'000 |
| US dollars | 290,671 | 6.1 | 0 | 793,797 | - | - | **1,084,468** |
| Sterling | 976,120 | 5.3 | 28 | - | - | - | **976,120** |
| Euro | 1,012,913 | 3.5 | 13 | 688,812 | - | - | **1,701,725** |
| | 2,279,704 | 6.4 | 12 | 1,482,609 | - | - | **3,762,313** |

| At 31st December 2004 | Fixed rate | | | Floating rate | Non-interest bearing | | |
|---|---|---|---|---|---|---|---|
| Currency | £'000 | Average interest rate % | Average years for which rate is fixed | £'000 | £'000 | Average years to maturity | Total £'000 |
| US dollars | 260,048 | 6.1 | 1 | 762,164 | - | - | **1,022,212** |
| Sterling | 1,474,848 | 6.4 | 20 | - | - | - | **1,474,848** |
| Euro | - | - | - | 708,306 | - | - | **708,306** |
| | 1,734,896 | 6.4 | 17 | 1,470,470 | - | - | **3,205,366** |

### Currency and interest rate risk profile of financial assets

Total financial assets below comprise cash at bank of £21,000 (2004 - £3,365,000), amounts owed by group undertakings of £3,694,847,000 (2004 - £3,098,935,000) and debtors due after one year of £73,293,000 (2004 - £122,150,000). Debtors due within one year of £52,231,000 have been excluded. (2004 - £28,522,000)

| At 31st December 2005<br>Currency | Fixed rate £'000 | Floating rate £'000 | Non-interest bearing £'000 | Total £'000 |
|---|---|---|---|---|
| US dollars | 289,222 | 795,323 | - | **1,084,545** |
| Sterling | 972,810 | 2,648 | - | **975,458** |
| Euro | - | 1,708,158 | - | **1,708,158** |
| | 1,262,032 | 2,506,129 | - | **3,768,161** |

| At 31st December 2004<br>Currency | Fixed rate £'000 | Floating rate £'000 | Non-interest bearing £'000 | Total £'000 |
|---|---|---|---|---|
| US dollars | 259,095 | 767,930 | - | **1,027,025** |
| Sterling | 1,471,132 | 3,346 | - | **1,474,478** |
| Euro | - | 722,947 | - | **722,947** |
| | 1,730,227 | 1,494,223 | - | **3,224,450** |

GlaxoSmithKline Capital plc

Notes to the Financial Statements for the year ended 31st December 2005

## 14 Financial instruments and related disclosures (continued)

### Currency exposure of net monetary assets / (liabilities)

Monetary assets and liabilities denominated in overseas functional currency, and borrowing designated as a hedge against overseas net assets, are excluded from the table below.

| Net monetary assets/(liabilities) held in non-functional currency | 2005 £'000 | 2004 £'000 |
|---|---|---|
| US dollars | **77** | 4,813 |
| Euro | **6,433** | 14,641 |
| | **6,510** | 19,454 |

| Maturity of financial liabilities | Debt £'000 | Total 2005 £'000 | Total 2004 £'000 |
|---|---|---|---|
| Within one year or on demand | (290,671) | **(290,671)** | (499,582) |
| Between one and two years | (283,016) | **(283,016)** | (260,048) |
| Between two and five years | (1,199,593) | **(1,199,593)** | (1,470,470) |
| After five years | (1,989,033) | **(1,989,033)** | (975,266) |
| | (3,762,313) | **(3,762,313)** | (3,205,366) |

Creditors due within one year of £62,303,000 have been excluded. (2004 - £45,928,000)

| Hedges | Gains £'000 | Losses £'000 | 2005 Net £'000 |
|---|---|---|---|
| Unrecognised gains and losses at the beginning of the year | 11,838 | (7,384) | **4,454** |
| Gain and losses arising in previous years and recognised in the year | (11,838) | 7,384 | **(4,454)** |
| Gain and losses arising before the beginning of the year and still unrecognised at the end of the year | - | - | - |
| Unrecognised gains and losses arising in the year | - | - | - |
| Total unrecognised gains and losses at the end of the year | - | - | - |
| Expected to be recognised within one year | - | - | - |
| Expected to be recognised after one year | - | - | - |
| Total unrecognised gains and losses at the end of the year | - | - | - |

## 15 Employees

The Company has no employees as all personnel are employed by other Group companies.

## 16 Directors' Remuneration

The Corporate Directors received no remuneration in respect of their services to the Company (2004 - £nil).

## 17 Cash flow statement

A cash flow statement has been included in the consolidated financial statements of GlaxoSmithKline plc, the ultimate parent undertaking. As a wholly owned subsidiary of the ultimate parent undertaking, advantage has been taken of the exemption afforded by FRS 1 'Cash Flow Statements' (Revised 1996) not to prepare a cash flow statement.

## 18 Contingent liabilities/assets

The Company, together with fellow group undertakings has entered into a group banking arrangement with the Company's principal bankers. 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 is limited to the amount held on its account with the bank. No loss is expected to accrue to the Company from the agreement.

## 19 Ultimate parent undertaking

GlaxoSmithKline plc, registered in England and Wales, is the Company's ultimate parent undertaking. The largest and smallest group of undertakings for which group financial statements are prepared and which include the results of the Company, are the consolidated financial statements of GlaxoSmithKline plc. Copies of the consolidated financial statements can be obtained from The Company Secretary, GlaxoSmithKline plc, 980 Great West Road, Brentford, Middlesex TW8 9GS. The immediate parent undertaking is SmithKline Beecham p.l.c.

## 20 Related party transactions

As a wholly owned subsidiary of the ultimate parent company, GlaxoSmithKline plc, advantage has been taken of the exemption afforded by FRS 8 'Related Party Disclosures' not to disclose any related party transactions within the Group. There are no other related party transactions.