

GlaxoSmithKline Consumer Healthcare Finance Limited
(Registered number: 09299680)

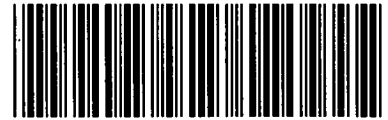
Annual Report

for the year ended 31 December 2016

Registered office address:

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Brentford
Middlesex
TW8 9GS

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GlaxoSmithKline Consumer Healthcare Finance Limited

Annual Report

for the year ended 31 December 2016

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GlaxoSmithKline Consumer Healthcare Finance Limited
(Registered number: 09299680)

Strategic report for the year ended 31 December 2016

The Directors present their Strategic report on GlaxoSmithKline Consumer Healthcare Finance Limited (the "Company") for the year ended 31 December 2016.

Principal activities and future developments

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

The Company provides financial services to other entities in the GlaxoSmithKline Consumer Healthcare Holdings Limited Group of companies (the "Joint Venture"). The Company manages liquidity within the Joint Venture and uses a variety of derivative financial instruments to manage the Joint Venture's foreign exchange risks.

Review of business

The Company made a profit for the financial year of £12,682,000 (2015: £5,084,000), which will be transferred to reserves. The Directors are of the opinion that the current level of activity and the year end financial position are satisfactory and will remain so in the foreseeable future.


Principal risks and uncertainties

The Directors of GlaxoSmithKline Consumer Healthcare Holdings Limited manage the risks at the Joint Venture 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 2016 Annual Report which does not form part of this report.

Key performance indicators (KPIs)

The Directors of GlaxoSmithKline Consumer Healthcare Holdings Limited manage the Joint Venture's operations on a global group 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 2016 Annual Report which does not form part of this report.

On behalf of the Board



Mr J W Box
Director

26 July 2017

GlaxoSmithKline Consumer Healthcare Finance Limited
(Registered number: 09299680)

Directors' report for the year ended 31 December 2016

The Directors present their report on GlaxoSmithKline Consumer Healthcare Finance Limited (the "Company") and the audited financial statements for the year ended 31 December 2016.

Principal activities and future developments

Details of principal activities and expected future developments of the Company have been included in the Strategic report on page 1.

Results and dividends

The Company's results for the financial year are shown in the income statement on page 6.

No dividend is proposed to the holders of ordinary shares in respect of the year ended 31 December 2016 (2015: £nil).

Financial instruments

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

Directors and their interests

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

Mr P F Blackburn	(resigned 1 March 2016)
Mr J W Box	(appointed 17 June 2016)
Mrs M Foster-Hawes	(appointed 17 June 2016)
Mr A Walker	(resigned 1 August 2016)

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 with the exception of the Corporate Directors (Edinburgh Pharmaceutical Industries Limited and Glaxo Group Limited), where such an interest may arise in the ordinary course of business.

Directors' indemnity

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.

Qualifying third party indemnity provisions (as defined in the Companies Act 2006) are in force for the benefit of Directors and former Directors who held office during 2016 and up to the signing of the Annual Report.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

GlaxoSmithKline Consumer Healthcare Finance Limited
(Registered number: 09299680)

Directors' report for the year ended 31 December 2016

Statement of Directors' responsibilities (continued)

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under Company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The following items have been included in the Strategic report on page 1:

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

Governance

The Company's approach to the Modern Slavery Act 2015 is set by the Group. As part of its governance, the Group reviewed and approved the approach to the Modern Slavery Act 2015 during 2016.

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.

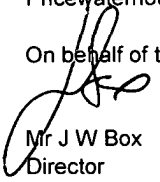
Going concern

The Directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the immediate parent, GlaxoSmithKline Consumer Healthcare Holdings Limited. The Directors have received confirmation that GlaxoSmithKline Consumer Healthcare Holdings Limited intends to support the Company for at least one year after these financial statements are signed. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Independent auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

On behalf of the Board


Mr J W Box
Director
26 July 2017

GlaxoSmithKline Consumer Healthcare Finance Limited
(Registered number: 09299680)

Independent auditors' report to the members of GlaxoSmithKline Consumer Healthcare Finance Limited

Report on the financial statements

Our opinion

In our opinion, GlaxoSmithKline Consumer Healthcare Finance Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs at 31 December 2016 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 at 31 December 2016;
- the income statement 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 matters prescribed by the Companies Act 2006

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

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

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic report and the Directors' report. We have nothing to report in this respect.

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.

GlaxoSmithKline Consumer Healthcare Finance Limited
(Registered number: 09299680)

Independent auditors' report to the members of GlaxoSmithKline Consumer Healthcare Finance Limited

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

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

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 Annual Report 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. With respect to the Strategic report and Director's report, we consider whether those reports include the disclosures required by applicable legal requirements.

Other matter

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
26 July 2017

GlaxoSmithKline Consumer Healthcare Finance Limited

**Income statement
for the year ended 31 December 2016**

		For the period from 6 November 2014 to 31 December	
	Note	2016 £'000	2015 £'000
Turnover		9,734	4,608
Gross profit		9,734	4,608
Administrative expenses		(63)	(8)
Finance income	9	28,145	19,940
Finance expense	10	(21,945)	(18,177)
Operating profit		15,871	6,363
Profit before taxation		15,871	6,363
Tax on profit	11	(3,189)	(1,279)
Profit for the financial year / period		12,682	5,084

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

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

The notes on pages 9 to 18 are an integral part of these financial statements.

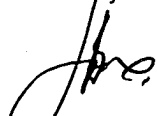
GlaxoSmithKline Consumer Healthcare Finance Limited

**Balance sheet
as at 31 December 2016**

	Note	2016 £'000	2015 £'000
Non-current assets			
Loans and other receivables	12	205,128	-
Total non-current assets		205,128	-
Current assets			
Loans and other receivables	12	2,995,695	1,902,988
Prepayments and accrued income	13	2,505	16,575
Derivative financial instruments	6	6,118	8,842
Cash and cash equivalents		9,174	391
Total current assets		3,013,492	1,928,796
Total assets		3,218,620	1,928,796
Current liabilities			
Loans and other payables	14	(3,189,272)	(1,896,356)
Accruals and deferred income	15	(3,400)	(6,042)
Short-term borrowings	16	(370)	(7,222)
Derivative financial instruments	6	(7,812)	(14,092)
Total current liabilities		(3,200,854)	(1,923,712)
Net current (liabilities) / assets		(187,362)	5,084
Net assets		17,766	5,084
Equity			
Called up share capital	17	-	-
Retained earnings		17,766	5,084
Total equity		17,766	5,084

The notes on pages 9 to 18 are an integral part of these financial statements.

The financial statements on pages 6 to 18 were approved by the Board of Directors on 26 July 2017 and signed on its behalf by:


Mr J W Box
Director

GlaxoSmithKline Consumer Healthcare Finance Limited

**Statement of changes in equity
for the year ended 31 December 2016**

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
At 6 November 2014 (date of incorporation)	-	-	-
Profit for the financial period	-	5,084	5,084
At 31 December 2015	-	5,084	5,084
Profit for the financial year	-	12,682	12,682
At 31 December 2016	-	17,766	17,766

The notes on pages 9 to 18 are an integral part of these financial statements.

GlaxoSmithKline Consumer Healthcare Finance Limited

Notes to the financial statements for the year ended 31 December 2016

1 Presentation of the financial statements

General information

GlaxoSmithKline Consumer Healthcare Finance Limited (the "Company") is a member of the GlaxoSmithKline plc Group of companies (the "Group") and provides financial services to other entities in the GlaxoSmithKline Consumer Healthcare Holdings Limited Group of companies (the "Joint Venture").

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. There have been no changes and no early adoptions of accounting policies during the year.

(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 derivative financial assets and liabilities at fair value through profit and loss and in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

Disclosure exemptions adopted

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

- Paragraph 38 of IAS 1 "Presentation of financial statements" comparative information requirements in respect of:
 - (i) paragraph 79(a) (iv) of IAS 1;
- The following paragraphs of IAS 1 "Presentation of financial statements":
 - 10(d) (statement of cash flows);
 - 16 (statement of compliance with all IFRS);
 - 38A (requirements for minimum of two primary statements, including cash flow statements);
 - 38B-D (additional comparative information); and
 - 111 (cash flow statement information);
- 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 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); and
- 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.

(b) Ultimate and immediate parent undertaking

The Company is a subsidiary of the ultimate parent company. GlaxoSmithKline plc, a company registered in England and Wales, is the Company's ultimate parent undertaking and controlling party. The largest and smallest group of undertakings for which group financial statements are prepared and which include the results of the Company are the consolidated financial statements of GlaxoSmithKline plc. Copies of the consolidated financial statements can be obtained from the Company Secretary, GlaxoSmithKline plc, 980 Great West Road, Brentford, Middlesex TW8 9GS. The immediate parent undertaking is GlaxoSmithKline Consumer Healthcare Holdings Limited. These financial statements are separate financial statements.

(c) Foreign currency transactions

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

(d) Turnover

Turnover represents trading margins from derivative financial instruments used to manage the Joint Venture's foreign exchange risks.

GlaxoSmithKline Consumer Healthcare Finance Limited

Notes to the financial statements for the year ended 31 December 2016

2 Summary of significant accounting policies (continued)

(e) Finance income and expense

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

(f) Financial assets

Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss 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.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current investments.

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 represents intercompany balances with entities within the Joint Venture and Group.

Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade date, being the date which the Company commits to purchase or sell the asset. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. 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. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement within finance income or expense in the period in which they arise.

(g) 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.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measureable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the income statement.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and current balances with banks and similar institutions. They are readily convertible into known amounts of cash and have an insignificant risk of changes in value.

(i) Loans and other payables

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

GlaxoSmithKline Consumer Healthcare Finance Limited

Notes to the financial statements for the year ended 31 December 2016

2 Summary of significant accounting policies (continued)

(j) Taxation

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

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 probable 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.

(k) Derivative financial instruments

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

Derivative financial instruments are classified as held-for-trading and are carried in the balance sheet at fair value.

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement. No derivative financial instruments are designated as hedging instruments by 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

Turnover represents margins made on Treasury activities in relation to derivative financial instruments used to manage foreign currency risks. Details of financial risk management are disclosed in Note 4. The Company operates within one business sector (finance sector) and geographical sector (United Kingdom).

(b) Taxation

Current tax is provided at the amounts expected to be paid or refunded 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.

4 Financial risk management

GlaxoSmithKline's Corporate Treasury is employed as a service provider under policies and procedures approved by GlaxoSmithKline Consumer Healthcare Holdings Limited's Board of Directors to manage and monitor the Joint Venture's external and internal funding requirements and financial risks, covering foreign exchange, interest rate, liquidity and credit risks, in support of the Joint Venture's strategic objectives.

A Treasury meeting, chaired by GlaxoSmithKline Consumer Healthcare Holdings Limited's Chief Financial Officer, takes place on a monthly basis to review Treasury activities and its members receive management information relating to Treasury activities.

(a) Market risk

(i) Foreign exchange risk

Foreign currency exposures arise from the translation of financial assets and liabilities which are not held in the functional currency of the Company (cash and cash equivalents, bank overdrafts and intercompany loans and deposits).

The Company uses derivative financial instruments to manage the foreign exchange risks arising from these financing activities. These derivatives, principally comprising foreign currency swaps and foreign exchange forward contracts, are used to swap intercompany loans and deposits into the Company's functional currency in order to manage exposure to financial risk from changes in foreign exchange rates. On this basis, as all of the Company's intercompany loans and deposits were fully hedged to maturity using foreign exchange currency contracts, foreign exchange risk is not considered material and the Company has not prepared a sensitivity analysis.

GlaxoSmithKline Consumer Healthcare Finance Limited

Notes to the financial statements for the year ended 31 December 2016

(a) Market risk (continued)

(ii) Interest rate risk

The Company has no significant external debt but earns interest income on its cash and cash equivalents and intercompany loans and pays interest on intercompany deposits placed with the Company. All interest earned and paid is on a floating rate basis. The following analysis illustrates the sensitivity of these financial assets and liabilities to changes in interest rates.

Income statement impact of interest rate movements

	2016 Increase / (decrease) in income £'000	2015 Increase / (decrease) in income £'000
1% (100 basis points) increase in Sterling interest rates	4,307	1,034
1% (100 basis points) increase in Euro interest rates	590	(560)
1% (100 basis points) increase in Japanese Yen interest rates	(596)	(458)
1% (100 basis points) increase in Swiss Franc interest rates	(4,411)	-

The Company has considered movements in interest rates over the last three years and has concluded that a 1% (100 basis points) movement is a reasonable benchmark. If interest rates applicable to floating rate financial assets were to have increased by 1% (100 basis points), and assuming all other variables had remained constant, it is estimated that the Company's finance income for 2016 would have decreased by approximately £(110,000) (2015: £16,000 increase in finance income).

(b) Credit risk

Credit risk is managed on a Group basis and arises from cash and cash equivalents and derivative financial instruments held with banks and financial institutions. Global counterparty limits are assigned to each of the Group's banking and investment counterparties based on long-term credit ratings from Moody's Investors Service ("Moody's") and Standard and Poor's. The Joint Venture's usage of these limits is monitored daily by GlaxoSmithKline's Corporate Compliance Officer who operates independently from GlaxoSmithKline's Corporate Treasury who actively manages its exposure to credit risk, reducing surplus cash balances wherever possible.

The Company considers its maximum exposure to credit risk at 31 December 2016, without taking into account any collateral held or other credit enhancements, to be £3,218,620,000 (2015: £1,928,796,000) which is the total of the Company's financial assets. This represents £9,174,000 (2015: £391,000) of cash and cash equivalents, amounts owed by Joint Venture undertakings of £2,887,924,000 (2015: £1,454,814,000), Group undertakings of £315,404,000 (2015: £464,749,000) and £6,118,000 (2015: £8,842,000) of derivative financial assets.

The Company has maintained a conservative approach to counterparty risk throughout 2016. The aggregate credit risk in respect of financial assets that the Company may have with one counterparty is limited by reference to the long-term credit ratings assigned for that counterparty by Standard and Poor's and Moody's. The table below sets out the exposure by credit rating category for third party cash and cash equivalents and financial derivatives held by the Company.

2016	AA-/Aa2 £'000	A+/A1 £'000	Total £'000
Bank balances	9,174	-	9,174
Third party financial derivatives	3,957	1,137	5,094
Total	13,131	1,137	14,268
2015	AA-/Aa2 £'000	A+/A1 £'000	Total £'000
Bank balances	391	-	391
Third party financial derivatives	6,155	-	6,155
Total	6,546	-	6,546

The credit ratings in the above tables are as assigned by Standard and Poor's and Moody's respectively. Where the opinion of the two rating agencies differs, the lower rating of the two is assigned to the counterparty.

The Company's greatest concentration of credit risk in relation to bank balances and third party financial derivatives of £13,131,000 is with HSBC Bank plc (AA-/Aa2) (2015: £6,546,000).

Amounts owed by Joint Venture undertakings of £2,888,948,000 (2015: £1,457,501,000) and Group undertakings of £315,404,000 (2015: £464,749,000) has not been disclosed in the above table as these entities are all indirectly owned by GlaxoSmithKline plc whose long-term credit rating with Standard and Poor's is A+ (stable outlook) and with Moody's it is A2 (negative outlook).

There are no financial assets that are past due or impaired as at 31 December 2016.

The Company did not hold any collateral as security or obtained other credit enhancements as at 31 December 2016.

GlaxoSmithKline Consumer Healthcare Finance Limited

Notes to the financial statements for the year ended 31 December 2016

4 Financial risk management (continued)

(c) Liquidity risk

The Joint Venture benefits from strong positive cash flow from operating units and has substantial cash and cash equivalents which are managed by the Company.

5 Capital management

The Joint Venture manages its capital to ensure that entities in the Joint Venture are able to operate as going concerns whilst availing themselves of intercompany funding where appropriate.

The capital structure of the Company consists wholly of total equity of £17,766,000 (2015: £5,084,000) (see Statement of changes in equity).

6 Financial instruments

(a) Fair value of financial assets and liabilities

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

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

- Cash and cash equivalents – approximates to the carrying amount;
- Short-term loans and bank overdrafts – approximates to the carrying amount because of the short maturity of these instruments;
- Medium-term loans (for borrowings within the Joint Venture) – approximates to the carrying amount;
- Foreign currency swaps and foreign exchange forward contracts – based on the present value of contractual cash flows using market sourced data (exchange rates); and
- Receivables and payables – approximates to the carrying amount.

The carrying amounts and the fair values of the Company's financial assets and liabilities at 31 December 2016 and 31 December 2015 are illustrated below.

	Carrying value £'000	2016 Fair value £'000	Carrying value £'000	2015 Fair value £'000
Cash and cash equivalents	9,174	9,174	391	391
Loans and receivables:				
Prepayments and accrued income	2,505	2,505	16,575	16,575
Amounts owed by Joint Venture undertakings	2,885,419	2,885,419	1,438,239	1,438,239
Amounts owed by Group undertakings	315,404	315,404	464,749	464,749
Financial assets at fair value through profit or loss:				
Derivatives classified as held for trading	6,118	6,118	8,842	8,842
Total financial assets	3,218,620	3,218,620	1,928,796	1,928,796
Financial liabilities measured at amortised cost:				
Bank overdrafts	(370)	(370)	(7,222)	(7,222)
Loans and other payables:				
Accruals and deferred income	(3,400)	(3,400)	(6,042)	(6,042)
Amounts owed to Joint Venture undertakings	(3,186,187)	(3,186,187)	(1,895,116)	(1,895,116)
Financial liabilities at fair value through profit or loss:				
Derivatives classified as held for trading	(7,812)	(7,812)	(14,092)	(14,092)
Total financial liabilities	(3,197,769)	(3,197,769)	(1,922,472)	(1,922,472)
Net financial assets and liabilities	20,851	20,851	6,324	6,324

GlaxoSmithKline Consumer Healthcare Finance Limited

Notes to the financial statements for the year ended 31 December 2016

6 Financial instruments (continued)

(b) *Financial instruments held at fair value*

The following table categorises the Company's financial assets and liabilities held at fair value by the valuation methodology applied in determining their fair value. Where possible, quoted prices in active markets are used (Level 1). Where such prices are not available, the asset or liability is classified as Level 2, provided all significant inputs to the valuation model used are based on observable market data. If one or more of the significant inputs to the valuation model is not based on observable market data, the instrument is classified as Level 3.

2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value				
Financial assets at fair value through profit or loss:				
Derivatives classified as held for trading	-	6,118	-	6,118
	-	6,118	-	6,118
Financial liabilities at fair value				
Financial liabilities at fair value through profit or loss:				
Derivatives classified as held for trading	-	(7,812)	-	(7,812)
	-	(7,812)	-	(7,812)
2015	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value				
Financial assets at fair value through profit or loss:				
Derivatives classified as held for trading	-	8,842	-	8,842
	-	8,842	-	8,842
Financial liabilities at fair value				
Financial liabilities at fair value through profit or loss:				
Derivatives classified as held for trading	-	(14,092)	-	(14,092)
	-	(14,092)	-	(14,092)

(c) *Derivative financial instruments and hedging programmes*

The table above sets out the fair values of derivatives held by the Company. None of these derivatives were designated as hedging instruments in hedging programmes.

The principal amount on foreign exchange contracts is the absolute total of outstanding positions at the balance sheet date. The Company's foreign exchange contracts are for periods of 12 months or less. At 31 December 2016, the Company held outstanding foreign exchange contracts with a total principal amount of £4,785,540,000 (2015: £1,084,000,000), these contracts had an asset fair value of £6,118,000 (2015: £8,842,000) and liability fair value of £(7,812,000) (2015: £(14,092,000)).

(d) *Offsetting of financial assets and liabilities*

The following table sets out the financial assets and financial liabilities which are subject to offsetting, enforceable master netting arrangements and similar agreements. For derivative financial assets and derivative financial liabilities, amounts not offset in the balance sheet but which could be offset under certain circumstances, are also set out.

2016	Gross financial assets / (liabilities) £'000	Gross financial (liabilities) / assets offset £'000	Net financial assets / (liabilities) per balance sheet £'000	Related amounts not offset in the balance sheet £'000	Net £'000
Derivative financial assets	6,118	-	6,118	(5,157)	961
Derivative financial liabilities	(7,812)	-	(7,812)	5,157	(2,655)

GlaxoSmithKline Consumer Healthcare Finance Limited

Notes to the financial statements for the year ended 31 December 2016

6 Financial instruments (continued)

(d) Offsetting of financial assets and liabilities (continued)

2015	Gross financial assets / (liabilities) £'000	Gross financial (liabilities) / assets offset £'000	Net financial assets / (liabilities) per balance sheet £'000	Related amounts not offset in the balance sheet £'000	Net £'000
Derivative financial assets	8,842	-	8,842	(6,908)	1,934
Derivative financial liabilities	(14,092)	-	(14,092)	6,908	(7,184)

Amounts which do not meet the criteria for offsetting on the balance sheet but could be settled net in certain circumstances principally relate to derivative transactions under ISDA (International Swaps and Derivatives Association) agreements where each party has the option to settle amounts on a net basis in the event of default of the other party.

(e) Contractual cash flows for non-derivative financial liabilities and derivative instruments

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

	Debt £'000	Interest on debt £'000	Debt £'000	Interest on debt £'000
	2016		2015	
Due in less than one year	(3,186,557)	(67)	(1,902,116)	(9)
Gross contractual cash flows	(3,186,557)	(67)	(1,902,116)	(9)

The following table provides an analysis of the anticipated contractual cash flows for the Company's derivative instruments, using undiscounted cash flows. Cash flows in foreign currencies are translated using spot rates at 31 December 2016.

	Receivables £'000	2016 Payables £'000	Receivables £'000	2015 Payables £'000
Gross contractual cash flows due in less than one year	2,391,868	(2,393,672)	1,546,873	(1,552,279)

7 Employees

All of the Group's UK employees 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 8). The Company has no employees (2015: none).

8 Operating profit

	2016 £'000	For the period from 6 November 2014 to 31 December 2015 £'000
The following items have been charged in operating profit:		
Management fee	(49)	-

GlaxoSmithKline Services Unlimited provides various services and facilities to the Company including finance and administrative services for which a management fee was charged of £49,377 in 2016 (2015: £nil). Included in the management fee is a charge for auditors' remuneration of £35,945 (2015: £nil).

GlaxoSmithKline Consumer Healthcare Finance Limited

Notes to the financial statements for the year ended 31 December 2016

9 Finance income

	For the period from 6 November 2014 to 31 December	
	2016	2015
	£'000	£'000
Interest income arising from:		
loans with Joint Venture undertakings	20,636	17,108
loans with Group undertakings	804	1,196
derivatives at fair value through profit or loss	2,984	1,479
Fair value adjustments on derivatives at fair value through profit or loss	3,606	-
Net foreign exchange gains on financing activities	115	157
Total finance income	28,145	19,940

10 Finance expense

	For the period from 6 November 2014 to 31 December	
	2016	2015
	£'000	£'000
Interest expense arising on:		
bank borrowings	(427)	(55)
loans with Joint Venture undertakings	(8,174)	(2,609)
loans with Group undertakings	(4,873)	(4,419)
derivatives at fair value through profit or loss	(8,471)	(5,779)
Fair value adjustments on derivatives at fair value through profit or loss	-	(5,315)
Total finance expense	(21,945)	(18,177)

11 Taxation

	For the period from 6 November 2014 to 31 December	
	2016	2015
	£'000	£'000
Income tax expense on profit		
Current tax:		
UK corporation tax at 20.00% (2015: 20.25%)	(3,174)	(1,279)
Prior year adjustment	(15)	-
Double tax relief	89	39
Overseas tax	(89)	(39)
Total current tax	(3,189)	(1,279)
Total tax charge for the period	(3,189)	(1,279)

The tax assessed for the year is higher (2015: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2016 of 20.00% (2015: 20.25%). The differences are explained below:

	For the period from 6 November 2014 to 31 December	
	2016	2015
	£'000	£'000
Reconciliation of total tax charge		
UK corporation tax at 20.00% (2015: 20.25%)	(3,174)	(1,279)
Effects of:		
Prior year adjustment	(15)	-
Overseas tax	(89)	(39)
Double tax relief	89	39
Total tax charge for the year	(3,189)	(1,279)

GlaxoSmithKline Consumer Healthcare Finance Limited

Notes to the financial statements for the year ended 31 December 2016

11 Taxation (continued)

Factors that may effect future tax charges:

The UK tax rate for the year ended 31 December 2016 is 20%. Further reductions to 19% (effective 1 April 2017) and to 17% (effective 1 April 2020) were enacted as part of the Finance Act 2016 on 15 September 2016. This will impact the Company's future current tax charge accordingly.

12 Loans and other receivables

	2016 £'000	2015 £'000
Amounts due within one year		
Amounts owed by Joint Venture undertakings	2,680,291	1,438,239
Amounts owed by Group undertakings	315,404	464,749
	2,995,695	1,902,988
Amounts due after more than one year		
Amounts owed by Joint Venture undertakings	205,128	-
	205,128	-
	3,200,823	1,902,988

Amounts due within one year are balances with Joint Venture undertakings which are unsecured with interest receivable at 0.19% per annum and repayable on demand. Amounts due with Group undertakings are unsecured with interest receivable at 0.11% per annum and repayable on demand.

Amounts due after more than one year are balances with Joint Venture undertakings which are unsecured, earning interest at 2.75% per annum and repayable in 2021.

13 Prepayments and accrued income

	2016 £'000	2015 £'000
Amounts due within one year:		
Accrued interest arising on loans with Joint Venture undertakings	2,505	4,663
Amounts owed by Joint Venture undertakings	-	7,353
Other prepayments	-	4,559
	2,505	16,575

14 Loans and other payables

	2016 £'000	2015 £'000
Amounts falling due within one year		
Amounts owed to Joint Venture undertakings	(3,186,187)	(1,895,116)
Corporation tax	(3,085)	(1,240)
	(3,189,272)	(1,896,356)

Amounts owed to Joint Venture undertakings are unsecured and repayable on demand.

The corporation tax creditor contains amounts which will be paid to fellow Joint Venture undertakings.

15 Accruals and deferred income

	2016 £'000	2015 £'000
Amounts falling due within one year	(3,400)	(6,042)

Accruals relate to interest payable on amounts owed to Joint Venture undertakings (see Note 14).

16 Short-term borrowings

	2016 £'000	2015 £'000
Amounts falling due within one year		
Bank overdrafts	(370)	(7,222)

The fair value of current borrowings equals their carrying amount as the impact of discounting is not significant.

GlaxoSmithKline Consumer Healthcare Finance Limited

Notes to the financial statements for the year ended 31 December 2016

17 Called up share capital

	2016 Number of shares	2016 £	2015 Number of shares	2015 £
Issued and fully paid				
Ordinary Shares of £1 each (2015: £1 each)	100	-	100	100

18 Contingent liabilities / assets

Group banking arrangement

The Company, together with fellow Joint Venture undertakings has entered into a Joint Venture 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 2016 is limited to the amount held on its accounts with the bank. No loss is expected to accrue to the Company from the agreement.

19 Events after the end of the reporting period

On 19 January 2017, GlaxoSmithKline Consumer Healthcare (Overseas) Limited repaid the US\$1.5 billion loan to the Company, of which the proceeds were then used to repay the loan with GlaxoSmithKline Consumer Healthcare Holdings Limited.

The Company is proposing to issue 2,000 ordinary shares of £1 each to its parent, GlaxoSmithKline Consumer Healthcare Holdings Limited, for a total consideration of £200,000,000. The proceeds will be used to part capitalise a short-term loan held with GlaxoSmithKline Consumer Healthcare Holdings Limited.

20 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 (2015: £nil). Corporate Directors received no remuneration during the year, either as executives of the Group or in respect of their services to the Company (2015: £nil).

21 Related party transactions

As the Company is a wholly owned subsidiary of GlaxoSmithKline Consumer Healthcare Holdings Limited, which is operated as a joint venture (the "Joint Venture"), 63.5% owned by Setfirst Limited (a member of the GlaxoSmithKline plc Group of companies), 33.85% by Novartis AG and 2.65% by Novartis Finance Corporation (both members of Novartis AG), advantage has been taken of the exemption afforded by FRS 101 Reduced Disclosure Framework not to disclose any related party transactions with other wholly owned members of the Joint Venture, or information around remuneration of key management personnel compensation. Details of other material related party transactions are disclosed below.

The table below outlines the amounts of the significant relevant transactions and significant outstanding amounts at the end of the financial year / period.

	2016 £'000	2015 £'000
Prepayment of interest arising on acquisition of loan from GlaxoSmithKline Biologicals SA	-	4,559
Call account receivable with GlaxoSmithKline Finance plc	315,404	464,749

The prepayment of interest arose on the acquisition of a Euro loan from GlaxoSmithKline Biologicals SA. to another Joint Venture entity, the expense was deferred on the balance sheet and unwound to the income statement over the original remaining life of the loan. As at 31 December 2016, this interest was fully expensed and the amount recorded in 2016 was £4,873,000 (2015: £4,419,000).

The call account is unsecured, earning interest at LIBOR -0.125% and is repayable by GlaxoSmithKline Finance plc on demand. For the year to 31 December 2016, interest income was £804,000 (2015: £1,196,000).

There were no related party transactions with entities outside of the Joint Venture.