

Eskaylab Limited
(Registered Number 99025)

Directors' Report and Financial Statements

For the Year Ended 31 December 1999

Registered office address:

Four New Horizons Court
Harlequin Avenue
Brentford
Middlesex
TW8 9EP



Eskaylab Limited

Directors' Report for the Year Ended 31 December 1999

The directors submit their report and the audited financial statements for the year ended 31 December 1999.

Principal activities

The Company is an investment holding company. The directors intend the Company to continue in its present activities.

Review of business

The Company made a profit on ordinary activities after taxation of £750,000 (1998: £687,000). The directors consider that the Company has performed satisfactorily during the year and that it will continue to do so in the future.

Results and dividends

The Company's results for the financial year are shown in the profit and loss account on page 5. The directors do not recommend payment of a final dividend (1998: nil). The retained profit of £750,000 will be transferred to reserves (1998: £687,000).

Subsequent event

On 17 January 2000, the Boards of Glaxo Wellcome plc and SmithKline Beecham plc, the Company's ultimate parent undertaking, announced that they had unanimously agreed the terms of a proposed merger. At the Court Meetings and Extraordinary General Meetings of Glaxo Wellcome plc and SmithKline Beecham plc held on 31 July 2000 all the resolutions relating to the merger were passed by the required majorities. The merger remains subject to a number of conditions, primarily the sanction of the Scheme of Arrangement by the Court and regulatory clearance in the United States. The effective date of the Merger is now expected to be 25 September 2000.

Under the terms of the proposed merger, shareholders of SmithKline Beecham plc will receive 0.4552 shares in the new company for each Ordinary Share held in SmithKline Beecham plc.

At the time the proposed merger is consummated, certain financial consequences may result, including accelerated vesting of share options and incentive awards. There is not expected to be any material financial effect on the Company.

Directors and their interests

The directors of the Company who served during the year or are now current directors are as follows:

R Bondy	(Appointed 1 January 2000)
C A McClintock	
M A R Venables	(Resigned 21 December 1999)
S N Wilbraham	
R M Whittaker	(Resigned 21 December 1999)

Eskaylab Limited

Directors' Report for the Year Ended 31 December 1999 (Continued)

Directors' and officers' liability insurance, paid by SmithKline Beecham plc, was in place during the year.

None of the directors has a beneficial interest in the shares of the Company, or any other group company, other than SmithKline Beecham plc.

The following beneficial interests of the directors in office at the year end in the shares of the ultimate parent undertaking, SmithKline Beecham plc, have been notified to the Company.

Ordinary Shares

	At 31 December 1999	At 31 December 1998
C A McClintock	4,077	3,911
S N Wilbraham	1,058	994

Options over Ordinary Shares

	31 December 1999	Exercised	Granted	31 December 1998
C A McClintock	25,894	-	8,800	17,094
S N Wilbraham	5,400	-	4,000	1,400

The options for the purchase of shares may be exercised at a variety of prices. Details of option prices and market prices of shares during the year, together with full details of the SmithKline Beecham Senior Executive Option Plans are disclosed in the accounts of SmithKline Beecham plc.

Year 2000

Year 2000 compliance of all critical systems and business processes remained a top business priority during the year. The SmithKline Beecham Group ("the Group") addressed this issue with a highly coordinated plan, and the Group and Company have successfully transitioned into 2000 with virtually no problems.

Over the new year period, a special Millennium Command Centre centrally monitored the status and progress of the millennium rollover with business sites around the world. There were no incidents which caused any operational disruption.

The Company's annual expenditure directly associated with Year 2000 compliance is not material and has been borne by the Group.

Eskaylab Limited

Directors' Report for the Year Ended 31 December 1999 (Continued)

Statement of directors' responsibilities

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year.

The directors consider that in preparing the financial statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

All accounting standards which they consider to be applicable have been followed, subject to any explanations and material departures disclosed in the notes to the financial statements.

The directors have prepared the financial statements on a going concern basis.

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

Auditors

The Company has adopted the elective regime permitting it to dispense with the requirement to re-appoint auditors annually. Accordingly, PricewaterhouseCoopers, who have indicated their willingness to continue in office, shall be deemed to have been re-appointed annually until such time as notice proposing their removal is received.

By order of the Board



K J Bryant

Secretary

4 SEPTEMBER 2000

Eskaylab Limited

Auditors' report to the members of Eskaylab Limited

We have audited the financial statements on pages 5 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 3, the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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 transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 judgements 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 of the state of the company's affairs at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London

4 September 2000

Eskaylab Limited

Profit and Loss Account for the Year Ended 31 December 1999

	<i>Note</i>	1999 £'000	1998 £'000
Income from shares in group undertakings		515	451
Interest	2	294	343
Profit on ordinary activities before taxation		809	794
Tax on profit on ordinary activities	6	(59)	(107)
Profit for the financial year		750	687
Retained profit for the year	11	750	687

The results disclosed above relate entirely to continuing operations.


The Company had no recognised gains or losses during the year other than those reflected in the above profit and loss account.

Eskaylab Limited

Balance Sheet as at 31 December 1999

	Note	1999 £'000	1998 £'000
Fixed assets			
Investments	7	726	726
Current assets			
Debtors	8	82	-
Cash at bank and in hand		4,790	4,306
		4,872	4,306
Creditors – amounts falling due within one year	9	(89)	(273)
Net current assets		4,783	4,033
Total assets less current liabilities		5,509	4,759
Capital and reserves			
Called up share capital	10	2,192	2,192
Profit and loss account	11	3,317	2,567
Shareholders' funds – equity interests	12	5,509	4,759

Approved by the Board on 4 SEPTEMBER 2000 and signed on its behalf.


S.N. WILBRAHAM
Director

Eskaylab Limited

Notes to the Financial Statements – 31 December 1999

1 Accounting policies

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

Basis of accounting

These financial statements have been prepared under the historical cost convention, and comply with all applicable UK Accounting Standards which have been applied consistently.

Foreign currency translation

Transactions in foreign currencies are translated into sterling at the rates of exchange ruling at the date of each transaction. Except for investments, which are stated at historic rate, assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the balance sheet dates. All exchange differences are taken to the profit and loss account.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation is provided on timing differences using the liability method where it is probable that tax liabilities or assets will crystallise within the foreseeable future.

Fixed asset investments

Fixed asset investments are stated in the balance sheet at cost less any provision made for impairment in value.

Eskaylab Limited

Notes to the Financial Statements – 31 December 1999

2 Interest

	1999 £'000	1998 £'000
Interest receivable and similar income		
Interest receivable on bank deposits	293	343
Other interest receivable	3	-
	<hr/> 296	<hr/> 343
 Interest payable and similar charges		
Other interest payable	(2)	-
	<hr/> (2)	<hr/> -
 Net interest receivable	<hr/> 294	<hr/> 343

3 Auditors' remuneration

The auditors' remuneration has been borne in the ultimate parent undertaking, SmithKline Beecham plc.

4 Directors' remuneration

The directors are employees of and are remunerated for their services by SmithKline Beecham plc, the ultimate parent undertaking. The directors received no remuneration from the Company during the year (1998: nil).

5 Employee information

In 1999, no employees were directly employed by the Company (1998: nil). There were no wages and salaries, social securities, or other pension costs incurred (1998: nil).

Eskaylab Limited

Notes to the Financial Statements – 31 December 1999

6 Tax on profit on ordinary activities

The tax charge is based on the taxable profit for the year and comprises:

	1999 £'000	1998 £'000
UK corporation tax at 30.25% (1998: 31%)	318	311
Double taxation relief	(229)	(204)
Prior year over provision	(30)	-
	59	107

No provision is required for deferred taxation.

7 Investments

The investment comprises 11,760,000 fully paid Ordinary shares of 10 rupees each representing a 40% interest in SmithKline Beecham Pharmaceuticals (India) Limited which is incorporated in India, the country of its principal operation. The principal activity of the company is the manufacture and marketing of pharmaceuticals.

	1999 £'000	1998 £'000
Cost	726	726
Market Value	50,642	73,834

The Company considers this investment a subsidiary undertaking on the basis that it exercises a dominant influence over it.

The market value is based on the latest available quoted share price for the year ended 31 December 1999 on the appropriate stock exchange in India.

8 Debtors

	1999 £'000	1998 £'000
Other debtors	82	-
	82	-

Eskaylab Limited

Notes to the Financial Statements – 31 December 1999

9 Creditors – amounts falling due within one year

	1999 £'000	1998 £'000
Corporation tax	89	178
Amounts due to group undertakings	-	95
	<u>89</u>	<u>273</u>

10 Called up share capital

	1999 £'000	1998 £'000
Authorised		
Equity shares		
40,000,000 Ordinary shares of 10p each	<u>4,000</u>	<u>4,000</u>
Allotted, issued and fully paid		
Equity shares		
21,920,000 Ordinary shares of 10p each	<u>2,192</u>	<u>2,192</u>

11 Reserves

	Profit and loss account £'000
As at 1 January 1999	2,567
Retained profit for the year	<u>750</u>
As at 31 December 1999	<u>3,317</u>

Eskaylab Limited

Notes to the Financial Statements – 31 December 1999

12 Reconciliation of movement in shareholders' funds

	1999 £'000	1998 £'000
Profit for the financial year	750	687
Net addition to shareholders' funds	750	687
Opening shareholders' funds	4,759	4,072
Closing shareholders' funds – equity interests	5,509	4,759

13 Contingencies

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.

14 Cash flow statement

A cash flow statement has been included in the consolidated financial statements of SmithKline Beecham plc, the ultimate parent undertaking. The Company has therefore taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (Revised 1996).

15 Group accounts

The Company is a wholly owned subsidiary of the ultimate parent company and as such has taken advantage of the exemption from preparing group accounts under s.228 of the Companies Act 1985.

16 Ultimate parent undertaking

SmithKline Beecham plc, a public limited company registered in England and Wales, is the Company's ultimate parent undertaking. The largest and smallest group of undertakings for which group accounts are prepared, and which include the results of the Company, are the consolidated accounts of SmithKline Beecham plc. Copies of the consolidated accounts can be obtained from New Horizons Court, Brentford, Middlesex, TW8 9EP.

Eskaylab Limited

Notes to the Financial Statements – 31 December 1999

17 Related party transactions

As a wholly owned subsidiary of the ultimate parent company, SmithKline Beecham plc, advantage has been taken of the exception afforded by Financial Reporting Standard 8 not to disclose any related party transactions within the Group. There are no other related party transactions other than the dividend income from SmithKline Beecham Pharmaceuticals (India) Limited (see note 7) of £515,000 (1998: £451,000).

18 Post balance sheet event

On 17 January 2000, the Boards of Glaxo Wellcome plc and SmithKline Beecham plc announced that they had unanimously agreed the terms of a proposed merger. At the Court Meetings and Extraordinary General Meetings of Glaxo Wellcome plc and SmithKline Beecham plc held on 31 July 2000 all the resolutions relating to the merger were passed by the required majorities. The merger remains subject to a number of conditions, primarily the sanction of the Scheme of Arrangement by the Court and regulatory clearance in the United States. The effective date of the Merger is now expected to be 25 September 2000.

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