

SmithKline Beecham Research Limited
(Registered Number: 229017)

Directors' Report and Financial Statements

For the Year Ended 31 December 2001

Registered office address:

980 Great West Road
Brentford
Middlesex
TW8 9GS



SmithKline Beecham Research Limited

Index

	Page
Report of the Directors	1-2
Report by the Auditors	3
Profit and Loss Account	4
Statement of Total Recognised Gains and Losses	4
Balance Sheet	5
Accounting Policies	6-7
Notes to the Financial Statements	8-15

SmithKline Beecham Research Limited

Directors' Report for the Year Ended 31 December 2001

The directors submit their report and the audited financial statements for the year ended 31 December 2001

Principal Activities

During the year the principal activity of the Company was the marketing of pharmaceutical products in Africa, the Middle East and the Philippines. The Company did not undertake any activity in the UK during the year ended 31 December 2001.

Review of the Business and Future Developments

The Directors consider the state of affairs to be satisfactory and believe that the Company will continue to perform satisfactorily for the foreseeable future.

Results and Dividends

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

The Directors do not recommend the payment of a dividend (2000 - £ nil) and accordingly the loss for the year after tax of £2,542,000 (2000 profit - £404,000) has been transferred from reserves.

Fixed Assets

Movements in tangible fixed assets are detailed in Note 7.

Directors and their interests

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

P M Barrett	(resigned 14 March 2001)
R M Bondy	(resigned 14 March 2001)
A R Curl	(resigned 14 March 2001)
C A McClintock	(resigned 22 February 2001)
S L Roberts	(resigned 14 March 2001)
Edinburgh Pharmaceutical Industries Limited	(appointed 13 March 2001)
Glaxo Group Limited	(appointed 13 March 2001)

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

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 Corporate Directors 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 or their families to acquire benefits by means of the acquisition of shares in or debentures of the Company or any body corporate within the Group.

SmithKline Beecham Research Limited

Directors' Report for the Year Ended 31 December 2001

European Monetary Union

The Company made preparations for the full introduction of the single currency on 1st January 2002 within the 12 countries in Europe directly affected. These preparations have included the conversion of information systems, data and financial processes as well as the training of staff. In the short-term the Company does not expect the costs or benefits from the introduction of the euro to have a material effect on the Company's trading performance.

Policy on payment of creditors

The Company agrees terms and conditions for its business transactions with suppliers. Payment is then made to these terms, subject to the terms and conditions being met by the supplier. The company does not have a standard code which deals specifically with the payment of suppliers. Trade creditors at 31 December 2001 represented 21 days (2000: 8 days) of annual purchases.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which 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 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.

The directors are responsible for keeping proper accounting records that 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 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.

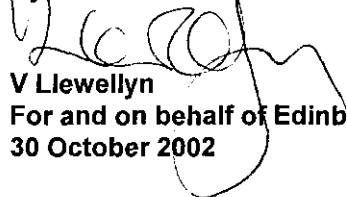
Change in Company Secretary

Mrs K J Bryant resigned as Company Secretary on 18 January 2002 and was replaced by Edinburgh Pharmaceutical Industries Limited.

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.



V Llewellyn

For and on behalf of Edinburgh Pharmaceutical Industries Limited - Secretary

30 October 2002

Independent Auditors' Report to the Members of SmithKline Beecham Research Limited

We have audited the financial statements which comprise primary financial statements such as the profit and loss account, the balance sheet, and the statement of total recognised gains and losses, and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and United Kingdom Auditing Standards issued by the Auditing Practices Board.

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 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. The other information comprises only the directors' report.

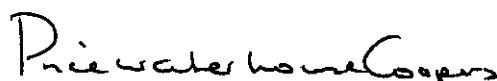
Basis of audit opinion

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 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London

30 October 2002

SmithKline Beecham Research Limited

Profit and Loss Account For the Year Ended 31 December 2001

	Note	2001 £'000	Year ended 2000 £'000
Turnover	1	111,861	100,584
Cost of sales		(49,973)	(45,789)
Gross Profit		61,888	54,795
Distribution costs		(2,422)	(3,956)
Administrative expenses		(60,322)	(48,049)
Operating (Loss)/Profit	2	(856)	2,790
Corporate restructuring costs	4	(3,092)	(1,596)
		(3,948)	1,194
Interest receivable	5	293	246
Interest payable	5	(150)	(66)
(Loss)/Profit on ordinary activities before taxation		(3,805)	1,374
Tax on profit on ordinary activities	6	1,263	(970)
(Loss)/Profit for the financial year		(2,542)	404

Statement of Total Recognised Gains and Losses For the Year Ended 31 December 2001

	2001 £'000	2000 £'000
(Loss)/Profit for the financial year	(2,542)	404
Exchange loss on net investment	(103)	(2,681)
Total recognised gains and losses	(2,645)	(2,277)

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 stated above and their historical cost equivalents

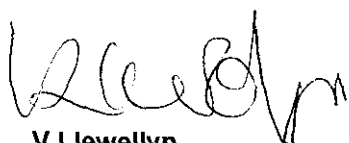
The accounting policies on page 6 and 7 and the notes on pages 8 to 15 form part of these financial statements.

SmithKline Beecham Research Limited

Balance Sheet as at 31 December 2001

	Note	2001 £'000	At 31 December 2000 £'000
Fixed Assets			
Tangible assets	7	4,563	4,303
Current Assets			
Stocks	8	3,447	1,897
Debtors	9	84,769	62,041
Investments	10	245	247
Cash at bank and in hand		4,304	3,143
		92,765	67,328
Creditors: amounts falling due within one year	11	(89,913)	(61,123)
Net current assets		2,852	6,205
Total assets less current liabilities		7,415	10,508
Provisions for liabilities and charges	12	(59)	(507)
Net assets		7,356	10,001
Capital and Reserves			
Called up share capital	13	1,616	1,616
Profit and loss account	14	5,740	8,385
Total shareholders' funds - equity interests	15	7,356	10,001

The accounts on pages 4 to 15 were approved by the Board on 30 October 2002 and signed on its behalf by:



V Llewellyn

For and on behalf of Edinburgh Pharmaceutical Industries Limited - Director

The accounting policies on page 6 and 7 and the notes on pages 8 to 15 form part of these financial statements.

SmithKline Beecham Research Limited

Accounting Policies

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

Accounting convention

The accounts are prepared under the historical cost convention and comply with all applicable UK Accounting Standards which have been applied consistently.

Turnover

Turnover represents amounts receivable for sales of products and services to third party customers and associated undertakings, net of value added tax and other sales taxes.

Retirement benefits

The Philippines branch operates a non-contributory defined benefit pension scheme based on final pensionable pay and total years of service. The scheme assets are held separately in a trustee administered fund. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the employees working lives with the Company.

Foreign currencies

Profits and losses arising outside the UK are translated to sterling using average rates of exchange for the period. Net assets denominated in foreign currencies are translated to sterling at rates of exchange ruling at the balance sheet date.

Movements arising from changes in exchange rates during the year are taken directly to reserves in so far as they relate to the net assets of the overseas branches. Other movements are taken to the profit and loss account.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is charged on the cost of tangible fixed assets at rates estimated to write off their carrying values over their expected useful lives as follows:

Land and Buildings	- 25 years
Leasehold improvements	- Term of lease
Plant and equipment	- 4 to 10 years
Motor Vehicles	- 5 years

The profit or loss on the disposal of an asset is calculated as the difference between the net sale proceeds and the net book value.

SmithKline Beecham Research Limited

Accounting Policies (Continued)

Stocks

Stocks and work in progress have been valued at the lower of cost and estimated net realisable value. The cost of finished goods and work in progress comprises raw materials, direct labour and related production overheads.

Operating lease rentals

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

New accounting policies and requirements

The Company has implemented Financial Reporting Standard 18: 'Accounting policies' and the disclosure requirements of Financial Reporting Standard 17: 'Retirement benefits'. FRS 18 updates an existing standard and provides new guidance. It has not had a significant effect on measurement of the results and assets and liabilities of the Company. FRS 17 adopts a market value approach to the measurement of retirement benefits and requires expanded disclosures. The disclosure requirements have been implemented by the Company in 2001. The Standard does not require implementation of the change in measurement approach until 2003.

SmithKline Beecham Research Limited

Notes to the Financial Statements for the Year Ended 31 December 2001

1 Segmental information

Analysis by location of company's operations:

	Turnover		Profit/(loss) before interest and taxation		Net operating assets/(liabilities)	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Philippines	21,636	26,098	872	1,087	14,208	18,942
Middle East	51,064	48,671	(1,077)	127	(15,178)	8,532
Africa	39,161	25,815	(3,730)	(20)	9,167	(10,986)
Other	-	-	(13)	-	-	-
	111,861	100,584	(3,948)	1,194	8,197	16,488

Analysis of turnover by type:

	2001 £'000	2000 £'000
Third party sales	107,025	90,849
Intercompany sales	4,836	7,057
Service fees receivable from group undertakings	-	2,678
	111,861	100,584

Turnover analysis by geographical market supplied is not significantly different from that given for location of Company's operations. Net operating assets represents total assets less current liabilities, excluding the following items: cash and deposits, short term borrowings and taxation.

2 Operating Profit

Operating profit is stated after charging/(crediting):

	2001 £'000	2000 £'000
Auditors' remuneration	1	10
Depreciation	583	635
Operating lease rentals		
Land and buildings	9	94
Equipment and vehicles	5	17
(Profit)/Loss on disposal of fixed assets	81	(48)
Loss on exchange	71	19

The auditors remuneration incurred in the UK was borne by GlaxoSmithKline plc, the ultimate parent undertaking.

SmithKline Beecham Research Limited

Notes to the Financial Statements for the Year Ended 31 December 2001

3 Employees and Directors' Emoluments

The aggregate payroll costs were:

	2001 £'000	2000 £'000
Salaries and wages	1,447	3,333
Social security costs	25	65
Retirement benefits	60	673
	1,532	4,071

The average number of employees, all of whom work overseas, employed by the Company during the year was 232 (2000: 374).

During the year the Directors of the Company, with the exception of the Corporate Directors, were remunerated as executives of the GlaxoSmithKline group and received no remuneration in respect of their services to the Company (2000- £nil). Corporate Directors received no remuneration during the year, either as executives of the GlaxoSmithKline group or in respect of their services to the Company.

4 Corporate restructuring costs

Restructuring costs were incurred by the company in implementation of the previously announced merger plans in the Philippines (see note 12). Restructuring costs have also been incurred in the Middle East following the merger of local operations in 2001.

5 Interest

	2001 £'000	2000 £'000
Interest receivable:		
Interest receivable from third parties	293	246
Interest payable:		
Interest payable to group undertakings	(60)	(66)
Overdrafts and other short term borrowings	(90)	-
	(150)	(66)

SmithKline Beecham Research Limited

Notes to the Financial Statements for the Year Ended 31 December 2001

6 Taxation

	2001 £'000	2000 £'000
UK corporation tax credit /(charge) at 30% (2000 – 30%)	1,282	(333)
Overseas taxation	(267)	(34)
Prior year adjustment	248	(603)
	1,263	(970)

7 Tangible Fixed Assets

	Freehold Land & Buildings £'000	Plant equipment & vehicles £'000	Total £'000
Cost			
At 1 January 2001	1,421	5,200	6,621
Additions	-	972	972
Disposals	-	(521)	(521)
Exchange adjustment	(9)	(33)	(42)
At 31 December 2001	1,412	5,618	7,030
Accumulated depreciation			
At 1 January 2001	(166)	(2,152)	(2,318)
Charge for year	(38)	(545)	(583)
On disposals	-	407	407
Exchange adjustment	2	25	27
At 31 December 2001	(202)	(2,265)	(2,467)
Net book amounts			
At 31 December 2001	1,210	3,353	4,563
At 31 December 2000	1,255	3,048	4,303

SmithKline Beecham Research Limited

Notes to the Financial Statements for the Year Ended 31 December 2001

8 Stocks

	2001 £'000	2000 £'000
Raw materials	1,129	765
Work in progress	116	321
Finished goods and goods for resale	2,202	811
	3,447	1,897

The replacement cost of stocks is not materially different from original cost.

9 Debtors

	2001 £'000	2000 £'000
Falling due within one year:		
Trade debtors	80,258	51,586
Amounts owed by group undertakings	1,598	7,443
Other debtors	2,169	1,357
Prepayments	5	1,655
Deferred overseas income taxes recoverable	739	-
	84,769	62,041

10 Investments

	2001 £'000	2000 £'000
Unlisted		
Shares in stock, bonds and proprietary shares		
At 1 January 2001	247	284
Exchange movements	(2)	(37)
At 31 December 2001	245	247

SmithKline Beecham Research Limited

Notes to the Financial Statements for the Year Ended 31 December 2001

11 Creditors: Amounts falling due within one year

	2001 £'000	2000 £'000
Trade creditors	661	126
Amounts owed to group undertakings	80,687	50,739
Other creditors and accruals	1,692	1,942
Bank loan	2,287	-
Taxation	4,586	8,316
	89,913	61,123

Included within other creditors is a pension accrual for £nil (2000 : £nil)

12 Provisions for liabilities and charges

	2001 £'000	2000 £'000
At 1 January 2001	507	-
Provided during the year	1,068	1,396
Utilised during the year	(1,516)	(889)
At 31 December 2001	59	507

The company has recognised costs in 2001 in respect of plans for restructuring initiated in 2000 following the merger of Glaxo Wellcome and SmithKline Beecham. Costs recognised as a provision are expected to be incurred in 2002.

13 Called Up Share Capital

	2001 £	2000 £
Authorised: 8,000,000 ordinary shares of 25p each	2,000,000	2,000,000
Issued, allotted and fully paid: 6,462,400 ordinary shares of 25p each	1,615,600	1,615,600

14 Reserves

	Profit and loss account £'000
At 1 January 2001	8,385
Loss for the year	(2,542)
Exchange movement on net investment	(103)
At 31 December 2001	5,740

SmithKline Beecham Research Limited

Notes to the Financial Statements for the Year Ended 31 December 2001

15 Reconciliation of Movements in Shareholders' Funds

	2001 £'000	2000 £'000
(Loss)/Profit for the year	(2,542)	404
Exchange movement on net investment	(103)	(2,681)
Net movement in shareholders' funds	(2,645)	(2,277)
Opening shareholders' funds	10,001	12,278
Closing shareholders' funds	7,356	10,001

16 Commitments under operating leases

Annual commitments to pay rentals on operating lease for the next year which expire:

	2001 £'000	2000 £'000
Within one year	-	-
Between one and five years	-	8
	-	8

17 Retirement benefits

The Philippines branch operates a non-contributory defined benefit scheme based on final pensionable pay and total years of service. The scheme assets are held separately in a trustee administered fund. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the employees working lives with the Company. The contributions are determined by an independent qualified actuary on the basis of valuations using the attained age cost method. The most recent valuation was at 1 April 1998. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rate of increase in salaries. It was assumed that the rate of investments would be 10% per annum and salary increases would be 15% for the next three years and 12% thereafter.

The pension charge for the period was £ 24,000 (2000: £644,000).

The valuation completed at 1 April 1998 showed that the market value of the schemes assets was £2,100,000 and that the actuarial value of those assets represented 76.3% of the benefits that had accrued to members, giving an unfunded actuarial liability of £650,000. The Company is funding this liability over ten years. The contributions of the Company to the scheme were increased from 13.6% to 17.3% of earnings with effect from 1 April 1998, together with additional amounts to fund the liability.

SmithKline Beecham Research Limited

Notes to the Financial Statements for the Year Ended 31 December 2001

17 Retirement benefits continued

FRS 17 disclosure

The Company continues to account for pension arrangements in accordance with SSAP 24 'Accounting for Pension Costs'. Under the transitional provisions of FRS 17 'Retirement Benefits' certain disclosures are required on the basis of the valuation methodology adopted by FRS 17. For the defined benefit scheme in Philippines, the fair values of the pension scheme assets at 31 December 2001 are compared with the future pension liabilities calculated under the projected unit method. The relevant assumptions used for the FRS 17 calculations are as follows:

	Philippines %
Rate of increase of future earnings	10.0
Discount rate	11.0
Expected pension increases	0.0
Inflation assumption	6.0

The expected rates of return on the assets and the fair values of the assets and liabilities of the Philippines defined benefit scheme at 31 December 2001 are as follows:

	Expected Rate of Return	2001 £'000
Equity	(13.4%)	525
Property	(8.6%)	91
Other assets	(11.0%)	1
Total market value of assets		617
Present value of scheme liabilities		(436)
Surplus in the scheme		181
Related deferred tax liability		(54)
Net pension asset		127

The surplus under FRS 17 reflects the different basis for valuing assets and liabilities compared with SSAP 24, including immediate impact of the fair values of assets at 31 December 2001.

If the valuation basis above had been applied in the accounts instead of SSAP 24 valuation basis, the effect on the profit and loss account reserve at 31 December 2001 would have been as follows:

	2001 £'000
Profit and Loss account reserve per balance sheet	5,740
Pension asset under FRS 17	127
Pension liability under SSAP 24 per note 11	0
	127
Profit and loss account reserve including pension asset	5,867

SmithKline Beecham Research Limited

Notes to the Financial Statements for the Year Ended 31 December 2001

18 Contingent liabilities

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.

19 Cash Flow Statement

A cash flow statement has been included in the consolidated financial statements of GlaxoSmithKline 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).

20 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.

21 Ultimate Parent Undertaking

GlaxoSmithKline plc, a public limited company registered in England and Wales, is the Company's ultimate parent undertaking. The immediate parent undertaking is SmithKline Beecham plc.

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 GlaxoSmithKline plc. Copies of the consolidated accounts can be obtained from The Secretary, GlaxoSmithKline plc, 980 Great West Road, Brentford, Middlesex TW8 9GS.

22 Related Party Transactions

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