

SmithKline Beecham Research Limited
(Registered Number 229017)

Annual Report and Financial Statements

For the Year Ended 31st December 2002

Registered office address:

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SmithKline Beecham Research Limited
Annual Report and Financial Statements
For the Year Ended 31st December 2002

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SmithKline Beecham Research Limited

Annual Report for the Year Ended 31st December 2002

The Directors submit their report and the audited financial statements for the year ended 31st December 2002.

Principal activities

The principal activity of the Company is marketing of pharmaceutical products in Africa, the Middle East and Philippines. During 2002 the level of trade in Africa And Middle East has significantly reduced as the operations were transferred to GlaxoSmithKline Export Limited.

Review of business

The Company made a profit on ordinary activities after taxation of £835,000 (2001 - £2,688,000 (loss)). The Directors are of the opinion that the current level of activity and the year end financial position are satisfactory and will remain so in the foreseeable future.

The retained profit for the year of £835,000 will be transferred to reserves (2001 - £2,688,000 (loss)).

Results and dividends

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

The Directors propose that no dividend be paid to the holders of Ordinary Shares in respect of the year ended 31st December 2002 (2001 - £nil).

Directors and their interests

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

Edinburgh Pharmaceutical Industries Limited
Glaxo Group Limited

Where the Directors have beneficial interests in the shares of other group companies, these are held as investments and arise in the ordinary course of the business. None of the Directors have beneficial interests in the shares of GlaxoSmithKline plc.

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

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

Change in Company Secretary

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

SmithKline Beecham Research Limited

Annual Report for the Year Ended 31st December 2002

Payment policy

The Company operates procedures to ensure that suppliers are paid on time. In particular, the Company seeks:

- to settle terms of payment with suppliers when agreeing the terms of the transaction
- to ensure that suppliers are made aware of the agreed terms of payment
- to abide by the terms of payment

The procedures include arrangements for accelerated payment of small suppliers.

Payment performance

The Company's procedures include arrangements for accelerated payment of certain small suppliers.

The average number of creditor days in relation to trade creditors outstanding at 31 December 2002 was 34 Days (2001: 21 Days)

Fixed assets

Details of the Company's Fixed Assets are given in Note 8 to the Accounts

Statement of directors' responsibilities

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

In preparing the financial statements the Directors are required to:

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

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

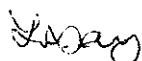
The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability partnership (LLP) from 1st January 2003, PricewaterhouseCoopers resigned on 6th February 2003 and the Directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP to the Company will be proposed at the Company's Annual General Meeting.

By order of the Board



L A Day

For and on behalf of Edinburgh Pharmaceutical Industries Limited - Secretary

27 October 2003

SmithKline Beecham Research Limited

Independent auditors' report to the members of SmithKline Beecham Research Limited

We have audited the financial statements which comprise: the profit and loss account, the balance sheet, 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. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and 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 31st December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

27 October 2003

SmithKline Beecham Research Limited

Profit and Loss Account

For the Year Ended 31st December 2002

		2002	2001
			(Restated)
	Notes	£000	£000
Turnover		2,672	111,861
Cost of sales		(1,419)	(49,973)
Gross profit		1,253	61,888
Distribution costs		-	(2,422)
Administrative expenses		(1,606)	(60,322)
Trading profit/(loss)		(353)	(856)
Corporate restructuring costs	5	(256)	(3,092)
Loss before interest		(609)	(3,948)
Interest receivable	6	161	293
Interest payable	6	(449)	(150)
Loss on ordinary activities before taxation		(897)	(3,805)
Taxation	7	1,732	1,117
Retained profit/(loss)	17	835	(2,688)

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 notes on pages 7 to 18 form part of these financial statements

SmithKline Beecham Research Limited

**Statement of Total Recognised Gains and Losses
For the Year Ended 31st December 2002**

	2002	2001
		(Restated)
	£000	£000
Profit for the financial year	835	(2,542)
Prior period adjustments - implementation of FRS 19	-	(146)
Exchange loss on net investment	(2,372)	(103)
Total gains and losses recognised since last annual report	(1,537)	(2,791)

The notes on pages 7 to 18 form part of these financial statements.

SmithKline Beecham Research Limited

Balance Sheet

As at 31st December 2002

		2002	2001
	Notes	£000	(Restated) £000
Tangible assets	8	2,688	4,563
Investments	9	10,340	-
Fixed Assets		13,028	4,563
Investments	10	1,557	245
Stock	11	170	3,447
Debtors	12	31,840	84,769
Cash at bank		1,145	4,304
Current assets		34,712	92,765
Creditors: amounts due within one year	13	(42,010)	(90,033)
Net current assets		(7,298)	2,732
Total assets less current liabilities		5,730	7,295
Provisions for liabilities and charges	14	(31)	(59)
Net assets		5,699	7,236
Capital and reserves			
Called up share capital	16	1,616	1,616
Profit and loss account	17	4,083	5,620
Equity shareholders' funds	18	5,699	7,236

The accounts on pages 4 to 18 were approved by the Board of Directors on 27 October 2003 and were signed on its behalf by:



L A Day

For and on behalf of Edinburgh Pharmaceutical Industries Limited – Director

The notes on pages 7 to 18 form part of these financial statements.

SmithKline Beecham Research Limited

Notes to the Financial Statements for the Year Ended 31st December 2002

1 Accounting policies

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

(a) Basis of accounting

These financial statements are prepared under the historical cost convention, and comply with all applicable UK accounting standards.

(b) Foreign currency translation

Foreign currency transactions are booked in local currency at the exchange rate ruling on the date of the transaction, or at the forward rate if hedged by a forward exchange contract. Foreign currency assets and liabilities are translated into local currency at rates of exchange ruling at the balance sheet date, or at the forward rate. Exchange differences are included in trading profit. The retranslation of the opening reserves and results for the period of overseas branches that are denominated in a foreign currency are taken to the statement of total recognised gains and losses.

(c) 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.

(d) Revenue

Revenue is recognised in the profit and loss account when goods or services are supplied to external customers or other group subsidiaries against orders received. Turnover represents the net invoice value, after deduction of discounts given at the point of sale, of products despatched to, or available for collection by customers, less accruals for estimated future rebates and returns. Value added tax and other sales taxes are excluded from revenue.

(e) Expenditure

Expenditure is recognised in respect of goods and services received when supplied in accordance with contractual terms. Provision is made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated. Restructuring costs are recognised in respect of the direct expenditures of a business reorganisation where the plans are sufficiently detailed and well advanced, and where appropriate communication to those affected has been undertaken at the balance sheet date.

(f) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less a provision for depreciation.

The costs of acquiring and developing computer software for internal use and internet sites for external use are capitalised as a tangible fixed asset where the software or site supports a significant business system and the expenditure leads to the creation of a durable asset.

Depreciation is calculated to write off the cost of tangible fixed assets, excluding freehold land, in equal annual instalments over their expected useful lives. The normal expected useful lives of the major categories of tangible fixed assets are:

Land and buildings	20 to 50 years
Leasehold improvements	The shorter of lease term and 50 years
Plant and equipment	4 to 10 years
Motor vehicles	5 years

On disposal of a tangible fixed asset, the cost and related accumulated depreciation are removed from the accounts and the net amount, less any proceeds, is taken to the profit and loss account.

SmithKline Beecham Research Limited

Notes to the Financial Statements for the Year Ended 31st December 2002

(g) Impairment of fixed assets

The carrying value of fixed assets are reviewed for impairment when there is an indication that the assets might be impaired. First year impairment reviews are conducted for acquired goodwill and intangible assets. Certain intangibles are considered to have an indefinite life and are therefore not amortised. Such intangibles are subject to annual impairment tests. Impairment is determined by reference to the higher of net realisable value and value in use, which is measured by reference to discounted future cash flows. Any provision for impairment is charged against profit in the year concerned.

(h) Leases

Leasing agreements which transfer to the Company substantially all the benefits and risks of ownership of an asset are treated as finance leases, as if the asset had been purchased outright. The assets are included in tangible fixed assets and the capital element of the leasing commitment is shown as obligations under finance leases. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of the assets. The interest element of the lease rental is charged against profit.

All other leases are operating leases and the annual rentals are charged against profit on a straight-line basis over the lease term.

(i) Stocks

Stocks are included in the accounts at the lower of cost (including manufacturing overheads, where appropriate) and net realisable value. Cost is generally determined on a first in, first out basis.

(j) Taxation

Deferred Taxation is accounted for by the Company for taxation deferred or accelerated by reason of timing differences which have originated but not reversed by the balance sheet date. Deferred tax assets are only recognised to the extent that it is more likely than not that they will be recovered. Deferred tax on the retained earnings of overseas subsidiaries is only provided when there is a binding commitment to distribute past earnings in future periods.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse. Deferred tax liabilities and assets are not discounted.

(k) Current asset investments

Current asset investments are stated at the lower of cost and net realisable value.

In the case of securities acquired at a significant premium or discount to maturity value, and intended to be held to redemption, cost is adjusted to amortise the premium or discount over the life to maturity of the security. Floating rate bonds are stated at cost. Interest income is taken to the profit and loss account on a receivable basis.

Equity investments are included as current assets when regarded as available for sale.

(l) Legal and other disputes

Provision is made for the anticipated settlement costs and legal and other expenses associated with claims received and legal and other disputes against the Company where a reasonable estimate can be made of the likely outcome of the dispute. Where an obligation exists under a dispute but it is not possible to make a reasonable estimate, no provision is made. Costs associated with claims made by the Group against third parties are charged to the profit and loss account as they are incurred.

SmithKline Beecham Research Limited

Notes to the Financial Statements for the Year Ended 31st December 2002

2 New accounting policies and requirements

The Company has implemented Financial Reporting Standard 19: 'Deferred taxation' in 2002, which requires deferred tax to be accounted for on a full provision basis rather than a partial provision basis as before. Comparative information has been restated as necessary. The effect in 2001 is to reduce the tax credit by £146K. The deferred tax liability as at 31st December 2001 has been increased by £120K.

The effect of adopting the standard is to increase the tax credit by £468k in 2002 and the deferred tax asset by £348k at 31 December 2002.

3 Segmental Information

Analysis by location of company's operations:

	Turnover		Profit/(loss) before interest and taxation		Net operating assets/(liabilities)	
	2002	2001	2002	2001	2002	2001
	£'000	£'000	£'000	£'000	£'000	£'000
Philippines	2,672	21,636	(562)	872	13,558	14,208
Middle East	-	51,064	-	(1,077)	-	(15,178)
Africa	-	39,161	(47)	(3,730)	(12)	9,167
Other	-	-	-	(13)	-	-
	2,672	111,861	(609)	(3,948)	13,546	8,197

Analysis of turnover by type:

	2002	2001
	£'000	£'000
Third Party sales	970	107,025
Intercompany sales	1,702	4,836
	2,672	111,861

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.

4 Operating profit

	2002	2001
	£000	£000
The following items have been charged in operating profit		
Depreciation of tangible fixed assets:	1,028	583
Fixed asset impairment	887	-
Exchange (losses)/gains on foreign currency transactions	(43)	71
(Loss)/Profit on disposal of fixed assets	(55)	81
Operating lease rentals:		
Land and buildings	23	9
Equipment and vehicles	12	5
Audit fees		
Auditors' overseas firm	7	1

Charged to restructuring costs is £887k representing the fixed asset impairment from the cessation of Project Gemini within the Philippines.

SmithKline Beecham Research Limited

Notes to the Financial Statements for the Year Ended 31st December 2002

5 Corporate restructuring costs

Restructuring costs were incurred by the company in implementation of the previously announced merger plans in the

The effect on the tax charge when incurring these exceptional costs is to decrease the tax charge by £77,000. (2001 - £928,000)

6 Net interest (payable)/receivable

	2002 £000	2001 £000
Interest payable		
On loans with group undertakings	(366)	(60)
Overdrafts and other short term borrowings	(83)	(90)
	(449)	(150)
Investment income		
Interest receivable from third parties	161	293
	(288)	143

7 Taxation

	2002 £000	2001 (Restated) £000
Taxation credit based on profits for the period		
UK corporation tax at 30% (2001: 30%)	(150)	1,282
Prior year adjustment	1,708	248
Deferred tax	468	(146)
Overseas taxation	(54)	(267)
Overseas deferred taxation	(240)	-
	1,732	1,117

	2002 £000	2001 (Restated) £000
Reconciliation of current tax credit		
Tax on ordinary profits at UK standard tax rate	269	1,141
Prior year adjustments to current tax	1,708	248
Overseas taxation	(54)	-
Permanent differences	49	(5)
Capital allowances in excess of depreciation	(468)	146
Current tax charge for the period	1,504	1,530

The prior year tax credits were based on management's best estimate, which were revised during the year following submissions of the tax returns or agreement with the tax authorities.

SmithKline Beecham Research Limited

Notes to the Financial Statements for the Year Ended 31st December 2002

8 Tangible fixed assets

	Land and buildings £000	Plant, equipment and vehicles £000	Total £000
Cost at 1st January 2002	1,412	5,618	7,030
Additions	4	937	941
Disposals	-	(933)	(933)
Exchange adjustment	(186)	(770)	(956)
Cost at 31st December 2002	1,230	4,852	6,082
Depreciation at 1st January 2002	(202)	(2,265)	(2,467)
Provision for the year	(37)	(991)	(1,028)
Disposals	-	531	531
Impairment	-	(887)	(887)
Exchange adjustment	31	426	457
Depreciation at 31st December 2002	(208)	(3,186)	(3,394)
Net book value at 1st January 2002	1,210	3,353	4,563
Net book value at 31st December 2002	1,022	1,666	2,688

9 Investments held as fixed assets

	Investments £000
At 1st January 2002	-
Additions	10,340
At 31st December 2002	10,340

Investments comprise unlisted investments of £10,340k (2001 - £0).

10 Equity Investments

	£000
At 1st January 2002	245
Exchange adjustments	(32)
Additions	1,542
Impairment	(198)
At 31st December 2002	1,557

Equity investments held as current assets consisted of unlisted investments of £1,557k (2001 - £200k).

SmithKline Beecham Research Limited

Notes to the Financial Statements for the Year Ended 31st December 2002

11 Stocks

	2002 £000	2001 £000
Raw materials and consumables	144	1,129
Work in progress	9	116
Finished goods and goods for resale	17	2,202
	170	3,447

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

12 Debtors

	2002 £000	2001 £000
Amounts due within one year		
Trade debtors	1,695	80,258
Amounts owed by group undertakings	28,885	1,598
Other debtors	415	2,169
Prepayments	-	5
Taxation	89	-
Deferred taxation (Note 15)	348	-
Deferred overseas income tax recoverable	408	739
	31,840	84,769

13 Creditors

	2002 £000	2001 £000
Amounts due within one year		
Bank loans and overdrafts	346	2,287
Trade creditors	117	661
Amounts owed to group undertakings	41,196	80,687
Taxation	-	4,586
Other creditors	351	1,692
Deferred Taxation	-	120
	42,010	90,033

Included within other creditors is a pension accrual for £69,789 (2001: nil)

SmithKline Beecham Research Limited

Notes to the Financial Statements for the Year Ended 31st December 2002

14 Provisions for liabilities and charges

	Restructuring Costs	Total
	£000	£000
At 1st January 2002	59	59
Provided during the year	173	173
Utilised during the year	(194)	(194)
Other movements	(7)	(7)
At 31st December 2002	31	31

The Company has recognised costs in 2002 in respect of plans for restructuring initiated in 2000 following the merger of Glaxo Wellcome plc and SmithKline Beecham plc. Costs recognised as a provision are expected to be incurred in 2003.

15 Deferred taxation asset

	2002	2001 (restated)
	£000	£000
Accelerated capital allowances	348	(120)
	348	(120)
	2002	2001 (restated)
	£000	£000
Deferred tax reconciliation		
At 1st January 2002	(120)	26
Credit \ (Charge) for the year	468	(146)
At 31 December 2002	348	(120)

16 Called up share capital - equity interests

	2002 Number of shares	2001 Number of shares	2002 £000	2001 £000
Authorised				
Ordinary Shares of 25p each	8,000,000	8,000,000	2,000	2,000
Issued and fully paid				
Ordinary Shares of 25p each	6,462,400	6,462,400	1,616	1,616

SmithKline Beecham Research Limited

Notes to the Financial Statements for the Year Ended 31st December 2002

17 Reserves - equity interests

	Profit & Loss account £000	Total Reserves £000
At 1st January 2002 as previously reported	5,740	5,740
Prior year adjustment - FRS 19	(120)	(120)
At 1st January 2002 as restated	5,620	5,620
Retained profit for the financial year	835	835
Exchange movements	(2,372)	(2,372)
At 31st December 2002	4,083	4,083

18 Reconciliation of movements in shareholders' funds

	2002 £000	2001 £000
Profit/(loss) for the financial year	835	(2,688)
Exchange movement on net investment	(2,372)	(103)
Net reduction in shareholders' funds	(1,537)	(2,791)
Opening shareholders' funds as previously reported	7,356	10,001
Prior year adjustment - FRS19	(120)	26
Opening shareholders' funds as restated	7,236	10,027
Closing shareholders' funds - equity interests	5,699	7,236

19 Commitments

Commitments under operating leases to pay rentals For next year	2002 £000	2001 £000
Operating leases on land and buildings which expire: After five years	17	-
	17	-

Notes to the Financial Statements for the Year Ended 31st December 2002

20 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 31 December 2002. 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 return on investments would be 11% per annum and salary increases would be 10% for the next three years.

The pension charge for the period was £ 4,000 (2001: £24,000).

The valuation completed at 31 December 2002 showed that the market value of the schemes assets was £412,000 and that the actuarial value of those assets represented 97.8% of the benefits that had accrued to members, giving an unfunded actuarial liability of £9,000. The Company is funding this liability over ten years. The contributions of the Company to the scheme were decreased from 17.3% to 11.94% of earnings with effect from 31 December 2002, together with additional amounts to fund the liability.

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 2002 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:

	2002 % pa	2001 % pa
Rate of increase of future earnings	10.0	10.0
Discount rate	11.0	11.0
Expected pension increases	0.0	0.0
Inflation assumption	6.0	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 2002 are as follows:

	Expected Rate of Return %	2002 £'000	Expected Rate of Return %	2001 £'000
Equity	11.00%	402	13.40%	525
Property	-	-	8.60%	91
Other assets	11.00%	10	11.00%	1
Total market value of assets		412		617
Present value of scheme liabilities		(421)		(436)
Deficit in the scheme		(9)		181
Related deferred tax asset		3		(54)
Net pension liability		(6)		127

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Notes to the Financial Statements for the Year Ended 31st December 2002

FRS 17 disclosure (continued)

If the defined benefit pension and post retirement benefit scheme had been accounted for under FRS 17, the following amounts would have been recorded in the profit and loss account and the statement of recognised gains and losses for the year ended 31st December 2002

Amounts charged to operating profit	£'000
Current service cost	42
Total operating charge	42

Amounts credited/(charged) to net interest	£'000
Expected return on pension scheme assets	47
Interest on pension scheme liabilities	(46)
Net return	1

Amounts recorded in statement of total recognised gains and losses	£'000
Actual return less expected return on pension scheme assets	(172)
Experience gains and losses arising on the scheme liabilities	8
Actuarial loss recognised	(164)

Movement in surplus during the year	£'000
Surplus in scheme at beginning of the year	126
Effect on retranslation of surplus at 2002 exchange rates	31
Movement in year:	
Current service cost	(42)
Contributions	39
Other finance income	1
Actuarial loss	(164)
Deficit in scheme at end of the year	(9)

History of experience gains and losses	£'000
Difference between the expected and actual return on scheme assets (£'000)	(172)
Percentage of scheme assets at 31st December 2002	(42%)
Experience gains(losses) of scheme liabilities (£'000)	8
Percentage of present value of scheme liabilities at 31st December 2002	(2%)
Total amount recognised in statement of total recognised gains and losses (£'000)	(164)
Percentage of present value of scheme liabilities at 31st December 2002	(39%)

SmithKline Beecham Research Limited

Notes to the Financial Statements for the Year Ended 31st December 2002

FRS 17 disclosure (continued)

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 2002.

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 2002 would have been as follows:

	2002	2001
	£'000	£'000
Profit and Loss account reserve per balance sheet under SSAP 24	4,083	5,740
Pension Liability under FRS 17	(6)	127
Pension liability under SSAP 24 per note 10	70	-
Profit and loss account reserve including pension liability	4,147	5,867

21 Employees

	2002	2001
	£000	£000
Employee costs		
Wages and salaries	508	1,447
Social security costs	13	25
Pension and other post retirement costs	161	60
	682	1,532

	2002	2001
The average number of persons employed by the Company		
Selling, general and administration	83	232
	83	232

22 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).

23 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.

SmithKline Beecham Research Limited

Notes to the Financial Statements for the Year Ended 31st December 2002

24 Ultimate parent undertaking

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

25 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.