

SmithKline Beecham Research Limited
(Registered Number 229017)

Annual Report and Financial Statements

For the Year Ended 31st December 2004

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SmithKline Beecham Research Limited
Annual Report and Financial Statements
For the Year Ended 31st December 2004

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SmithKline Beecham Research Limited

Directors' Report for the Year Ended 31st December 2004

The Directors submit their report and the audited financial statements for the year ended 31st December 2004.

Principal activities

The principal activity of the Company is marketing of pharmaceutical products in Africa and Philippines.

Review of business

The Company made a profit on ordinary activities after taxation of £1,069,000 (2003 - loss of £(1,540,000)). The Directors are of the opinion that the current level of activity and the year end financial position are satisfactory and will remain so in the foreseeable future.

The retained profit for the year of £1,069,000 will be transferred to reserves (2003 - retained loss for the year of £(1,540,000) transferred from reserves).

Results and dividends

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

The Company received a dividend of £2.2m during the year (2003 - nil).

Directors and their interests

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

Edinburgh Pharmaceutical Industries Limited
Glaxo Group Limited

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

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

At 31st December 2004 none of the Directors have beneficial interests in the shares of any other Group company, except where such a beneficial interest may arise in the ordinary course of business.

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.

Fixed assets

Details of the Company's Fixed Assets are given in Note 7 to the Accounts

SmithKline Beecham Research Limited

Directors' Report for the Year Ended 31st December 2004

Statement of directors' responsibilities

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

In preparing the financial statements the Directors are required to:

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

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

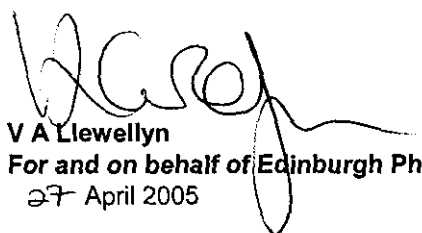
The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets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

Elective resolutions to dispense with holding Annual General Meetings, the laying of accounts before the Company in general meetings and the appointment of Auditors annually are currently in force. The Auditors, PricewaterhouseCoopers LLP, will therefore be deemed to have been re-appointed at the end of the period of 28 days beginning with the day on which copies of this Report and Accounts are sent to members unless a resolution is passed under Section 393 of the Companies Act to the effect that their re-appointment be brought to an end.

By order of the Board



V A Llewellyn

For and on behalf of Edinburgh Pharmaceutical Industries Limited - Secretary

27 April 2005

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.

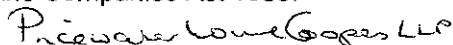
Basis of audit opinion

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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

27 April 2005

SmithKline Beecham Research Limited

Profit and Loss Account

For the Year Ended 31st December 2004

| | | 2004 | 2003 |
|---|-------|---------|---------|
| | Notes | £000 | £000 |
| Turnover | 2 | 3,335 | 2,054 |
| Cost of sales | | (2,934) | (1,802) |
| Gross profit | | 401 | 252 |
| Administrative expenses | | (183) | (91) |
| Other operating income | | 63 | - |
| Operating profit: | 3 | 281 | 161 |
| Income from shares in group undertakings | 4 | 2,282 | - |
| Corporate restructuring costs | | - | (63) |
| Profit before interest | | 2,563 | 98 |
| Net interest payable | 5 | (1,932) | (1,531) |
| Profit/(loss) on ordinary activities before taxation | | 631 | (1,433) |
| Taxation | 6 | 438 | (107) |
| Retained profit/(loss) | 15 | 1,069 | (1,540) |

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 15 form part of these financial statements.

SmithKline Beecham Research Limited

**Statement of Total Recognised Gains and Losses
For the Year Ended 31st December 2004**

| | 2004 | 2003 |
|--|--------------|----------------|
| | £000 | £000 |
| Profit for the financial year | 1,069 | (1,540) |
| Exchange loss on net investment | (1,199) | (789) |
| Total gains and losses recognised | (130) | (2,329) |

The notes on pages 7 to 15 form part of these financial statements.

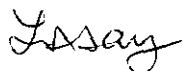
SmithKline Beecham Research Limited

Balance Sheet

As at 31st December 2004

| | | 2004 | 2003 |
|---|-------|-----------------|-----------------|
| | Notes | £000 | £000 |
| Tangible assets | 7 | 3,569 | 3,573 |
| Investments | 8 | 10,610 | 11,505 |
| Fixed Assets | | 14,179 | 15,078 |
| Equity Investments | 9 | 145 | 60 |
| Stock | 10 | 122 | 679 |
| Debtors | 11 | 49,761 | 46,500 |
| Cash at bank | | 489 | 315 |
| Current assets | | 50,517 | 47,554 |
| Creditors: amounts due within one year | 12 | (61,456) | (59,262) |
| Net current assets | | (10,939) | (11,708) |
| Total assets less current liabilities | | 3,240 | 3,370 |
| Net assets | | 3,240 | 3,370 |
| Capital and reserves | | | |
| Called up share capital | 14 | 1,616 | 1,616 |
| Profit and loss account | 15 | 1,624 | 1,754 |
| Equity shareholders' funds | 16 | 3,240 | 3,370 |

The accounts on pages 4 to 15 were approved by the Board of Directors on 27 April 2005 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 15 form part of these financial statements.

SmithKline Beecham Research Limited

Notes to the Financial Statements for the Year Ended 31st December 2004

1 Accounting policies

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

(a) Basis of accounting

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

(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) Revenue

Revenue is recognised in the profit and loss account when goods or services are supplied to, or made available for collection by, 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.

(d) 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. *Advertising expenditure is charged to the profit and loss account as incurred. Shipment costs on inter-company transfers* are charged to cost of sales. 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.

(e) 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.

(f) Tangible fixed assets and depreciation

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

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 financial statements and the net amount, less any proceeds, is taken to the profit and loss account.

(g) 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.

SmithKline Beecham Research Limited

Notes to the Financial Statements for the Year Ended 31st December 2004

(h) Stocks

Stocks are included in the financial statements 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.

(i) Taxation

The Company accounts for taxation which is 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 they are considered recoverable against future taxable profits. 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.

(j) 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.

(k) 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. No provision is made for unasserted claims or where an obligation exists under a dispute but it is not possible to make a reasonable estimate. Costs associated with claims made by the Company against third parties are charged to the profit and loss account as they are incurred.

2 Segmental Information

The analysis by location of the Company's operations are:

| | Turnover | | Profit/(loss) before interest and taxation | | Net operating assets/(liabilities) | |
|-------------|---------------|---------------|---|---------------|---------------------------------------|---------------|
| | 2004 £'000 | 2003 £'000 | 2004 £'000 | 2003 £'000 | 2004 £'000 | 2003 £'000 |
| Philippines | 3,335 | 2,054 | 2,637 | 161 | 11,786 | 13,980 |
| Africa | - | - | (74) | (63) | 46 | (12) |
| | 3,335 | 2,054 | 2,563 | 98 | 11,832 | 13,968 |

Analysis of turnover by type:

| | 2004 £000 | 2003 £000 |
|--------------------|--------------|--------------|
| Third Party sales | 410 | 791 |
| Intercompany sales | 2,925 | 1,263 |
| | 3,335 | 2,054 |

SmithKline Beecham Research Limited

Notes to the Financial Statements for the Year Ended 31st December 2004

3 Operating profit

| | 2004 £000 | 2003 £000 |
|---|--------------|--------------|
| The following items have been charged / (credited) in operating profit | | |
| Depreciation of tangible fixed assets: | | |
| Owned assets | 339 | 240 |
| Exchange losses/(gains) on foreign currency transactions | 108 | 18 |
| (Profit)/loss on disposal of fixed assets | (11) | (46) |
| Operating lease rentals: | | |
| Land and buildings | 20 | 50 |
| Plant, equipment and vehicles | 7 | 5 |
| Audit fees | | |
| Auditors' overseas firm | 6 | 6 |

The Company bears an appropriate charge for management services provided to it by other group companies.

4 Income from shares in group undertakings

| | 2004 £000 | 2003 £000 |
|-----------|--------------|--------------|
| Dividends | (2,282) | - |

5 Net interest payable/receivable

| | 2004 £000 | 2003 £000 |
|--|--------------|--------------|
| Interest payable | | |
| On bank loans and overdrafts | - | (3) |
| On loans with group undertakings | (1,946) | (1,554) |
| | (1,946) | (1,557) |
| Investment income | | |
| Interest receivable from third parties | 14 | 26 |
| | (1,932) | (1,531) |

6 Taxation

| | 2004 £000 | 2003 £000 |
|--|--------------|--------------|
| Taxation (charge)/credit based on losses for the period | | |
| UK corporation tax at 30% (2003:30%) | (351) | 275 |
| Over/(under) provision in previous years | 399 | (50) |
| Deferred taxation | (72) | (321) |
| Overseas taxation | (18) | (6) |
| Overseas deferred taxation | 129 | (5) |
| Double tax relief | 351 | - |
| | 438 | (107) |
| Reconciliation of current taxation charge | | |
| Profit on ordinary activities at the UK statutory rate 30% | (189) | 430 |
| Overseas taxation | (18) | (6) |
| Permanent differences | (6) | (389) |
| Underlying tax on overseas dividend | (321) | - |
| Prior year adjustments to current tax | 399 | (50) |
| Capital allowances in excess of depreciation | 164 | 211 |
| Other timing differences | 1 | 23 |
| Double tax relief | 351 | - |
| Current tax charge for the period | 381 | 219 |

The prior periods tax credits were based on management's best estimates that were revised during the year following submission 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 2004

7 Tangible fixed assets

| | Land and buildings £000 | Plant, equipment and vehicles £000 | Total £000 |
|--------------------------------------|-------------------------------|---|---------------|
| Cost at 1st January 2004 | 1,067 | 5,961 | 7,028 |
| Additions | 37 | 572 | 609 |
| Disposals | - | (201) | (201) |
| Reclassifications | 3 | (3) | - |
| Exchange adjustment | (88) | (299) | (387) |
| Cost at 31st December 2004 | 1,019 | 6,030 | 7,049 |
| Depreciation at 1st January 2004 | (215) | (3,240) | (3,455) |
| Provision for the year | (30) | (309) | (339) |
| Disposals | - | 196 | 196 |
| Exchange adjustment | 21 | 97 | 118 |
| Depreciation at 31st December 2004 | (224) | (3,256) | (3,480) |
| Net book value at 1st January 2004 | 852 | 2,721 | 3,573 |
| Net book value at 31st December 2004 | 795 | 2,774 | 3,569 |

8 Investments held as fixed assets

| | £000 |
|-----------------------|--------|
| At 1st January 2004 | 11,505 |
| Additions | - |
| Exchange adjustments | (895) |
| At 31st December 2004 | 10,610 |

Investments comprise unlisted investments of £10,610,000 (2003 - £11,505,000).

9 Equity Investments

| | £000 |
|-----------------------|------|
| At 1st January 2004 | 60 |
| Exchange adjustments | (5) |
| Additions | 116 |
| Impairment | (26) |
| At 31st December 2004 | 145 |

Equity investments held as current assets consisted of unlisted investments of £145,000 (2003 - £60,000).

10 Stocks

| | 2004 £000 | 2003 £000 |
|-------------------------------------|--------------|--------------|
| Raw materials and consumables | 111 | 213 |
| Work in progress | 9 | 9 |
| Finished goods and goods for resale | 2 | 457 |
| | 122 | 679 |

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

SmithKline Beecham Research Limited

Notes to the Financial Statements for the Year Ended 31st December 2004

11 Debtors

| | 2004 £000 | 2003 £000 |
|--|---------------|---------------|
| Amounts due within one year | | |
| Trade debtors | 705 | 1,367 |
| Amounts owed by group undertakings | 48,285 | 44,077 |
| Other debtors | 76 | 139 |
| Taxation | 216 | 509 |
| Deferred overseas income tax recoverable | 479 | 381 |
| Deferred taxation | - | 27 |
| | 49,761 | 46,500 |

12 Creditors

| | 2004 £000 | 2003 £000 |
|------------------------------------|---------------|---------------|
| Amounts due within one year | | |
| Trade creditors | 167 | 755 |
| Amounts owed to group undertakings | 60,825 | 58,224 |
| Other creditors | 419 | 283 |
| Deferred taxation | 45 | - |
| | 61,456 | 59,262 |

There was no pension accrual in 2004 (2003: £2,807)

13 Deferred taxation asset/(liability)

| | 2004 £000 | 2003 £000 |
|--------------------------------|--------------|--------------|
| Accelerated capital allowances | (46) | 20 |
| Other timing differences | 1 | 7 |
| | (45) | 27 |
| Deferred tax asset | | Total |
| | | £000 |
| At 1st January 2004 | | 27 |
| Profit and Loss charge | | (72) |
| At 31st December 2004 | | (45) |

14 Called up share capital - equity interests

| | 2004 Number of shares | 2003 Number of shares | 2004 £000 | 2003 £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 2004

15 Reserves - equity interests

| | Profit & Loss account | Total | Reserves £000 |
|--|--------------------------|-------|------------------|
| At 1st January 2004 | 1,754 | | 1,754 |
| Retained profit for the financial year | 1,069 | | 1,069 |
| Exchange movements | (1,199) | | (1,199) |
| At 31st December 2004 | 1,624 | | 1,624 |

16 Reconciliation of movements in shareholders' funds

| | 2004 £000 | 2003 £000 |
|--|--------------|--------------|
| Profit for the financial year | 1,069 | (1,540) |
| Exchange movement on net investment | (1,199) | (789) |
| Net addition to shareholders' funds | (130) | (2,329) |
| Opening shareholders' funds | 3,370 | 5,699 |
| Closing shareholders' funds – equity interests | 3,240 | 3,370 |

17 Commitments

| Commitments under operating leases to pay rentals | 2004 | 2003 |
|---|------|------|
| For next year | £000 | £000 |
| Operating leases on land and buildings which expire: In one year or less | - | 4 |
| | - | 4 |

18 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 2004. 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 £45,073 (2003: £43,826).

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 2004 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:

| | 2004 % pa | 2003 % pa | 2002 % pa |
|-------------------------------------|--------------|--------------|--------------|
| Rate of increase of future earnings | 9.5 | 9.0 | 10.0 |
| Discount rate | 10.5 | 10.0 | 11.0 |
| Expected pension increases | 0.0 | 0.0 | 0.0 |
| Inflation assumption | 6.0 | 6.0 | 6.0 |

SmithKline Beecham Research Limited

Notes to the Financial Statements for the Year Ended 31st December 2004

FRS 17 disclosures (continued)

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 2004 are as follows:

| | Expected Rate of Return % | 2004 £'000 | Expected Rate of Return % | 2003 £'000 | Expected Rate of Return % | 2002 £'000 |
|-------------------------------------|---------------------------------|---------------|---------------------------------|---------------|---------------------------------|---------------|
| Equity | 11.00% | 852 | 10.00% | 383 | 11.00% | 402 |
| Other assets | 11.00% | 84 | 10.00% | 39 | 11.00% | 10 |
| Total market value of assets | | 936 | | 422 | | 412 |
| Present value of scheme liabilities | | (342) | | (351) | | (421) |
| Surplus in the scheme | | 594 | | 71 | | (9) |
| Related deferred tax liability | | (178) | | (21) | | 3 |
| Net pension asset | | 416 | | 50 | | (6) |

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 2004.

| Amounts charged to operating profit | 2004 £'000 | 2003 £'000 | 2002 £'000 |
|-------------------------------------|---------------|---------------|---------------|
| Current service cost | 42 | 35 | 42 |
| Total operating charge | 42 | 35 | 42 |

| Amounts credited/(charged) to net interest | 2004 £'000 | 2003 £'000 | 2002 £'000 |
|--|---------------|---------------|---------------|
| Expected return on pension scheme assets | 1 | 43 | 47 |
| Interest on pension scheme liabilities | (37) | (38) | (46) |
| Net return | (36) | 5 | 1 |

| Amounts recorded in statement of total recognised gains and losses | 2004 £'000 | 2003 £'000 | 2002 £'000 |
|--|---------------|---------------|---------------|
| Actual return less expected return on pension scheme assets | 464 | 70 | (172) |
| Experience gains and losses arising on the scheme liabilities | 123 | 5 | 8 |
| Actuarial gain recognised | 587 | 75 | (164) |

| Movement in surplus during the year | 2004 £'000 | 2003 £'000 | 2002 £'000 |
|---|---------------|---------------|---------------|
| Surplus in scheme at beginning of the year | 71 | (9) | 126 |
| Effect on retranslation of surplus at 2004 exchange rates | (6) | 1 | 31 |
| Movement in year: | | | |
| Current service cost | (42) | (35) | (42) |
| Contributions | 19 | 34 | 39 |
| Past service costs | - | - | - |
| Other finance (expense)/income | (36) | 5 | 1 |
| Actuarial gain | 587 | 75 | (164) |
| Surplus in scheme at end of the year | 593 | 71 | (9) |

SmithKline Beecham Research Limited

Notes to the Financial Statements for the Year Ended 31st December 2004

FRS 17 disclosure (continued)

| | 2004 £'000 | 2003 £'000 | 2002 £'000 |
|--|---------------|---------------|---------------|
| History of experience gains and losses | | | |
| Difference between the expected and actual return on scheme assets | 464 | 70 | (172) |
| Percentage of scheme assets at 31st December | 50% | 17% | (42%) |
| Experience gains(losses) of scheme liabilities (£'000) | 123 | 5 | 8 |
| Percentage of present value of scheme liabilities at 31st December | 36% | (1%) | (2%) |
| Total amount recognised in statement of total recognised gains and | 587 | 75 | (164) |
| Percentage of present value of scheme liabilities at 31st December | 172% | 21% | (39%) |

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 2004.

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 2004 would have been as follows:

| | 2004 £'000 | 2003 £'000 | 2002 £'000 |
|---|---------------|---------------|---------------|
| Profit and Loss account reserve per balance sheet under SSAP 24 | 1,624 | 1,754 | 4,083 |
| Pension Asset under FRS 17 | 416 | 50 | (6) |
| Pension liability under SSAP 24 per note 11 | - | 3 | 70 |
| Profit and loss account reserve including pension liability | 2,040 | 1,807 | 4,147 |

19 Employees

| | 2004 £000 | 2003 £000 |
|------------------------------------|--------------|--------------|
| Employee costs | | |
| Wages and salaries | 649 | 572 |
| Social security costs | 11 | 11 |
| Pension and other employment costs | 171 | 117 |
| | 831 | 700 |

The average number of persons employed by the Company (including Directors) during the year

| | 2004 | 2003 |
|-------------------------------------|------|------|
| Selling, general and administration | 82 | 82 |
| | 82 | 82 |

20 Cash flow statement

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

21 Group financial statements

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

SmithKline Beecham Research Limited

Notes to the Financial Statements for the Year Ended 31st December 2004

22 Ultimate parent undertaking

GlaxoSmithKline plc, a company registered in England and Wales, is the Company's ultimate parent undertaking. The largest and smallest group of undertakings for which group financial statements are prepared and which include the results of the Company, are the consolidated financial statements of GlaxoSmithKline plc. Copies of the consolidated 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.

23 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.