

SmithKline Beecham Holdings (UK) Limited
(Registered Number 3890815)

Annual Report and Financial Statements

For the year ended 31st December 2007



Registered office address:
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Brentford
Middlesex
TW8 9GS

SmithKline Beecham Holdings (UK) Limited

Annual Report and Financial Statements

For the year ended 31st December 2007

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SmithKline Beecham Holdings (UK) Limited

Directors' Report for the year ended 31st December 2007

The Directors submit their report and the audited financial statements for the year ended 31st December 2007

Principal activities

The Company's principal activity is that of an investment holding company in the GlaxoSmithKline Group ("the Group"). The Directors do not envisage any change to the nature of the business in the foreseeable future.

Review of business

The Company made a profit on ordinary activities after taxation of £1,971,478,000 (2006 - loss of £256,509,000). 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 £1,179,939,000 will be transferred to reserves (2006 - retained loss for the year of £256,509,000 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.

An interim dividend of £791,539,000 was proposed and paid to the shareholders in respect of the year ended 31st December 2007 (2006 - £nil). No final dividend is proposed to the holders of Ordinary Shares in respect of the year ended 31st December 2007 (2006 - £nil).

Directors and their interests

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

Glaxo Group Limited
Edinburgh Pharmaceutical Industries 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 interest may arise in the ordinary course of business.

Directors' indemnity

Each of the Directors benefits from an indemnity given by the Company under its articles of association. This indemnity is in respect of liabilities incurred by the Director in the execution and discharge of its duties.

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.

As far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and the Directors have taken all the steps that ought to have been taken to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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.

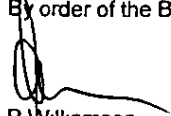
SmithKline Beecham Holdings (UK) Limited

Directors' Report for the year ended 31st December 2007

Auditors

Pricewaterhouse Coopers LLP are willing to continue in office as auditors and resolutions dealing with their reappointment and remuneration will be proposed at the Company's Annual General Meeting

By order of the Board



P Williamson

For and on behalf of Edinburgh Pharmaceutical Industries Limited
Company Secretary

20th March 2008

SmithKline Beecham Holdings (UK) Limited

Independent Auditors' Report to the members of SmithKlineBeecham Holdings (UK) Limited

We have audited the financial statements of SmithKline Beecham Holdings (UK) Limited for the year ended 31st December 2007 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland). 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 whether in our opinion; the information given in the Directors' Report is consistent with the financial statements.

We also report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs at 31st December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers UK

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
20th March 2008

SmithKline Beecham Holdings (UK) Limited

**Profit and Loss Account
For the year ended 31st December 2007**

| | <i>Notes</i> | 2007 £'000 | 2006 £'000 |
|---|--------------|-----------------------|-----------------------|
| Operating expense | 2 | (7) | (6) |
| Operating loss | | (7) | (6) |
| Income from shares in group undertakings | 3 | 2,247,295 | - |
| Profit / (loss) before interest | | 2,247,288 | (6) |
| Interest payable | 4 | (394,017) | (366,436) |
| Profit / (loss) on ordinary activities before taxation | | 1,853,271 | (366,442) |
| Taxation | 5 | 118,207 | 109,933 |
| Profit on ordinary activities after taxation | | 1,971,478 | (256,509) |
| Dividends | 6 | (791,539) | - |
| Retained profit / (Loss) | 11 | 1,179,939 | (256,509) |

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 and loss stated above and their historical cost equivalents

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

The notes on pages 6 to 9 form part of these financial statements

SmithKline Beecham Holdings (UK) Limited

Balance Sheet

As at 31st December 2007

| | <i>Notes</i> | 2007 £'000 | 2006 £'000 |
|---|--------------|-----------------------|-----------------------|
| Investments | 7 | 7,967,501 | 7,967,501 |
| Fixed assets | | 7,967,501 | 7,967,501 |
| Debtors | 8 | 341,717 | 223,470 |
| Current assets | | 341,717 | 223,470 |
| Creditors: amounts due within one year | 9 | (6,470,679) | (7,532,371) |
| Net current liabilities | | (6,128,962) | (7,308,901) |
| Total assets less current liabilities | | 1,838,539 | 658,600 |
| Net Assets | | 1,838,539 | 658,600 |
| Capital and reserves | | | |
| Called up share capital | 10 | 11,912 | 11,912 |
| Share premium account | 11 | 483,702 | 483,702 |
| Profit and loss account | 11 | 71,038 | (1,108,901) |
| Other reserves | 11 | 1,271,887 | 1,271,887 |
| Equity shareholders' funds | 12 | 1,838,539 | 658,600 |

The accounts on pages 4 to 9 were approved by the Board of Directors on 20th March 2008 and were signed on its behalf by:



J Heslop

For and on behalf of Edinburgh Pharmaceutical Industries Limited – Director

The notes on pages 6 to 9 form part of these financial statements

SmithKline Beecham Holdings (UK) Limited

Notes to the Financial Statements for the year ended 31st December 2007

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 on the basis of going concern basis, using the historical cost convention, and have been drawn up in accordance with UK generally accepted accounting principles and with UK accounting presentation

(b) Fixed asset investments

Fixed asset investments are stated in the balance sheet at cost less any provision made for impairment in value. Such investments are classified as current assets when regarded as available for sale.

(c) 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. Any provision for impairment is charged against profit in the year concerned. 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.

(d) Taxation

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

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 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.

(e) Dividends paid and received

Interim dividends paid and received are included in the profit and loss account in the period in which the related dividend is actually paid or received. Final dividends are recorded in the profit and loss account upon shareholder approval.

2 Operating expense

| | 2007 £'000 | 2006 £'000 |
|---|---------------|---------------|
| The following items have been charged in operating expense | | |
| Management fee | 7 | 6 |

GlaxoSmithKline Services Unlimited provides various services and facilities to the Company including finance and administrative services for which a management fee is charged. Included in the management fee is charge for auditor remuneration of £3,350 (2006 - £3,000).

3 Income from shares in group undertakings

| | 2007 £'000 | 2006 £'000 |
|-----------|---------------|---------------|
| Dividends | 2,247,295 | - |

SmithKline Beecham Holdings (UK) Limited

Notes to the Financial Statements for the year ended 31st December 2007

4 Interest payable

| | 2007 £'000 | 2006 £'000 |
|----------------------------------|---------------|---------------|
| Interest payable | | |
| On loans with group undertakings | (394,017) | (366,436) |
| | (394,017) | (366,436) |

5 Taxation

| | 2007 £'000 | 2006 £'000 |
|--|---------------|---------------|
| Taxation credit based on profit / (loss) for the period | | |
| UK corporation tax at 30% (2006 30%) | (118,207) | (109,933) |
| | (118,207) | (109,933) |
| Reconciliation of current taxation | £'000 | £'000 |
| Profit on ordinary activities at the UK statutory rate 30% | 555,981 | (109,933) |
| Non-taxable income | (674,188) | - |
| Current tax credit for the period | (118,207) | (109,933) |

No provision is required for deferred taxation

The rate of UK corporation tax will be reduced from 30% to 28% with effect from 1st April 2008

6 Dividends paid

| | pence per share | £ '000 |
|--|--------------------|---------|
| Dividends paid in 2007 | | |
| 12th of April 2007 interim dividend paid | 6,645 | 791,539 |
| | 6,645 | 791,539 |

7 Fixed asset investments

| | Subsidiary undertakings Shares at cost £'000 | Total £'000 |
|---|---|----------------|
| Carrying value and cost at 1st January and 31st December 2007 | 7,967,501 | 7,967,501 |

Details of the principal subsidiary undertakings of the Company as at 31st December 2007 are given in Note 18

8 Debtors

| | 2007 £'000 | 2006 £'000 |
|------------------------------------|---------------|---------------|
| Amounts due within one year | | |
| Amounts owed by group undertakings | 137,941 | 27,968 |
| Taxation | 203,776 | 195,502 |
| | 341,717 | 223,470 |

The taxation debtor contains amounts which will be recovered by way of payments from fellow group companies

SmithKline Beecham Holdings (UK) Limited

Notes to the Financial Statements for the year ended 31st December 2007

9 Creditors

| | 2007 £'000 | 2006 £'000 |
|------------------------------------|------------------|------------------|
| Amounts due within one year | | |
| Amounts owed to group undertakings | 6,470,679 | 7,532,371 |
| | 6,470,679 | 7,532,371 |

10 Called up share capital - equity interests

| | 2007 Number of shares | 2006 Number of shares | 2007 £'000 | 2006 £'000 |
|------------------------------|-----------------------------|-----------------------------|---------------|---------------|
| Authorised | | | | |
| Ordinary Shares of £1 each | 2,000,000,000 | 2,000,000,000 | 2,000,000 | 2,000,000 |
| Issued and fully paid | | | | |
| Ordinary Shares of £1 each | 11,911,900 | 11,911,900 | 11,912 | 11,912 |

11 Reserves - equity interests

| | Profit & Loss account £'000 | Share Premium £'000 | Other reserves £'000 | Total Reserves £'000 |
|--|-----------------------------------|---------------------------|-------------------------|----------------------------|
| At 1st January 2007 | (1,108,901) | 483,702 | 1,271,887 | 646,688 |
| Retained profit for the financial year | 1,179,939 | - | - | 1,179,939 |
| At 31st December 2007 | 71,038 | 483,702 | 1,271,887 | 1,826,627 |

The share premium and other reserves are undistributable reserves. Other reserves comprise of £1,721,887,395 of shares cancelled in Smith Kline & French Laboratories Limited and an impairment loss of £450,000,000 against the carrying value of investments.

12 Reconciliation of movement in shareholders' funds

| | 2007 £'000 | 2006 £'000 |
|---|------------------|----------------|
| Profit/(loss) for the financial year | 1,971,478 | (256,509) |
| Dividends | (791,539) | - |
| Net addition/(reduction) in shareholders' funds | 1,179,939 | (256,509) |
| Opening shareholders' funds | 658,600 | 915,109 |
| Closing shareholders' funds - equity interests | 1,838,539 | 658,600 |

13 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. The Company's maximum potential liability is limited to the amount held on its account with the bank. No loss is expected to accrue to the Company from the agreement.

SmithKline Beecham Holdings (UK) Limited

Notes to the Financial Statements for the year ended 31st December 2007

14 Employees

The Company has no employees as all personnel are employed by other Group companies

15 Directors' remuneration

The Corporate Directors of the Company received no remuneration in respect of their service to the Company (2006 - £nil)

14 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 FRS 1 'Cash Flow Statements' (Revised 1996) not to prepare a cash flow statement

15 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 Section 228 of the Companies Act 1985

16 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 financial statements can be obtained from The Company Secretary, GlaxoSmithKline plc, 980 Great West Road, Brentford, Middlesex TW8 9GS. The immediate parent undertaking is SmithKline Beecham Overseas Limited.

17 Related party transactions

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

18 Principal subsidiaries

The principal subsidiaries of the Company as at 31st December 2007 are as follows

| Company | Percentage shares held | Class of shares held | Country of Incorporation |
|--|---------------------------|----------------------------|-----------------------------|
| Setfirst Limited | 50.07% | Ordinary | England & Wales |
| SmithKline & French Laboratories Limited | 100.00% | Ordinary | England & Wales |

Both of the above companies are primarily investment holding companies and the above shareholdings are held directly by the Company.

A full list of the Group's subsidiaries and associated undertakings will be attached to the Annual Return of GlaxoSmithKline plc to be filed with the Registrar of Companies.