

SMITHKLINE BEECHAM (SWG) LIMITED

Company Number: 190223

REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 1997



SMITHKLINE BEECHAM (SWG) LIMITED

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SMITHKLINE BEECHAM (SWG) LIMITED

REPORT OF THE DIRECTORS FOR THE PERIOD ENDED 31 DECEMBER 1997

Registered Office: Four New Horizons Court
Harlequin Avenue
Brentford
Middlesex
TW8 9EP

The Directors submit their annual report together with the audited accounts for the period ended 31 December 1997.

PRINCIPAL ACTIVITIES

The principal activity of the Company is the marketing, selling and distribution of consumer health medicines through an agency agreement with its parent undertaking, SmithKline Beecham plc. The Directors do not propose to change the nature of the Company in the foreseeable future.

REVIEW OF BUSINESS

The Company made a profit on ordinary activities before taxation for the period of £12.6 million (1996: £30.8 million).

RESULTS AND DIVIDENDS

The Directors do not propose to pay a dividend (1996: £Nil). The surplus for the period of £9.3 million has been transferred to reserves. (1996: £26.6 million transferred to reserves).

YEAR 2000

The Company is a wholly owned subsidiary of SmithKline Beecham Group. The Group's plans addressing issues relating to Year 2000 compliance of business critical systems are set out in full in the Financial Review of the Annual Report and Accounts of SmithKline Beecham plc, which is available as disclosed in Note 17.

SMITHKLINE BEECHAM (SWG) LIMITED

REPORT OF THE DIRECTORS FOR THE PERIOD ENDED 31 DECEMBER 1997 (Continued)

DIRECTORS

The Directors of the Company who served during the period or are now current Directors are as follows:

A M Dillon	(formerly A M Horler) - resigned 4 September 1998
M A R Venables	Appointed 26 August 1997
C A McClintock	Resigned 26 August 1997 - re-appointed 7 September 1998
S Wilbraham	Appointed 18 May 1998

Directors' and Officers' Liability Insurance, paid by SmithKline Beecham plc, was in place during the period.

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

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

Ordinary Shares

	At 31 December 1997	At 31 December 1996*
A M Dillon	2,810	3,052
M A R Venables	130	0

* or date of appointment if later

Options over Ordinary Shares

	31 December 1997	Granted	Exercised	31 December 1996*
A M Dillon	47,420	19,250	44,624	72,794
M A R Venables	0	0	0	0

* or date of appointment if later

SMITHKLINE BEECHAM (SWG) LIMITED

REPORT OF THE DIRECTORS FOR THE PERIOD ENDED 31 DECEMBER 1997 (Continued)

DIRECTORS (Continued)

Share Split - August 1997

On 20 August 1997 SmithKline Beecham plc announced it had obtained the approval of its Ordinary Shareholders to split SmithKline Beecham plc's Ordinary Shares into two.

Therefore, with effect from 26 August 1997, each of SmithKline Beecham plc's Ordinary Shares of 12.5p, both issued and unissued, was subdivided into two Ordinary Shares of 6.25p each. The Directors' Interests have therefore been restated for 1996 and all transactions in 1997 are recorded in 6.25p shares.

Mid-Term Incentive Plan

In June and November 1996 and October 1997, the Directors acquired interests in shares as follows under the SmithKline Beecham Mid-Term Incentive Plan. These interests are conditional and will in general vest in whole or in part only to the extent that the Company meets certain performance conditions. They have been acquired on a nil price basis and, to the extent they vest, will be exercisable after 1 January 1999, 1 January 2000 and 1 January 2001 respectively.

	Ordinary Shares		
	31 December 1997	Granted	31 December 1996*
A M Dillon	12,600	4,200	8,400
M A R Venables	0	0	0
* or date of appointment if later			

Full details of the SmithKline Beecham Executive Share Option Plans are disclosed in the accounts of SmithKline Beecham plc.

SMITHKLINE BEECHAM (SWG) LIMITED

REPORT OF THE DIRECTORS FOR THE PERIOD ENDED 31 DECEMBER 1997 (Continued)

STATEMENT 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. Trade creditors at 31 December 1997 represented 48 days of annual purchases.

DIRECTORS' RESPONSIBILITIES

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

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

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

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

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

AUDITORS

The Company has adopted the elective regime permitting it to dispense with the requirement to re-appoint auditors annually. Accordingly, Price Waterhouse, 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



Secretary

Dated: 2 October 1998

SMITHKLINE BEECHAM (SWG) LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS OF SMITHKLINE BEECHAM (SWG) LIMITED

We have audited the financial statements on pages 6 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of Directors and Auditors

As described on page 4, the Company's Directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion based on our audit, on those statements and report our opinion to you.

Basis of 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 as at 31 December 1997 and of its result for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Price Waterhouse
Chartered Accountants and
Registered Auditors
Southwark Towers
32 London Bridge Street
London
SE1 9SY

Lochler

1998

SMITHKLINE BEECHAM (SWG) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1997

	Note	Year ended 31 December	
		1997	1996
		£'000	£'000
Turnover	1	29,636	32,048
Cost of Sales		<u>(9,104)</u>	<u>(9,584)</u>
Gross Profit		20,532	22,464
Distribution Costs		(2,471)	(2,528)
Administrative Expenses		<u>(9,261)</u>	<u>(12,626)</u>
Operating Profit	2	8,800	7,310
Profit on the disposal of investments	3	-	24,933
Income from shares in Group undertakings		<u>-</u>	<u>(3,307)</u>
Profit on ordinary activities before interest and taxation		8,800	28,936
Interest receivable	4	<u>3,841</u>	<u>1,905</u>
Profit on ordinary activities before taxation		12,641	30,841
Tax on profit on ordinary activities	5	<u>(3,300)</u>	<u>(4,273)</u>
Profit on ordinary activities after taxation		<u>9,341</u>	<u>26,568</u>
Retained profit		<u>9,341</u>	<u>26,568</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	1997	1996
	£'000	£'000
Profit for the financial year	9,341	26,568
Exchange adjustment on net investment in overseas branch	<u>(34)</u>	<u>-</u>
Total recognised gains and losses	<u>9,307</u>	<u>26,568</u>

The operating profits disclosed above relate entirely to continuing operations.

There is no difference between profit on ordinary activities before taxation and the retained profit for the year stated above and the historical cost equivalent.

The notes on pages 8 to 13 form an integral part of these financial statements.

SMITHKLINE BEECHAM (SWG) LIMITED

COMPANY BALANCE SHEET

	Note	At 31 December	
		1997 £'000	1996 £'000
Fixed assets			
Tangible assets	7	<u>42</u>	<u>87</u>
Current assets			
Stock	8	-	501
Debtors	9	65,182	59,204
Cash at bank		<u>5,149</u>	<u>3,967</u>
		70,331	63,672
Creditors: amounts falling due within one year	10	<u>(13,585)</u>	<u>(16,278)</u>
Net current assets		<u>56,746</u>	<u>47,394</u>
Total assets less current liabilities		<u>56,788</u>	<u>47,481</u>
Net assets		<u>56,788</u>	<u>47,481</u>
Capital and reserves - Equity interests			
Share capital	12	5,000	5,000
Profit and loss account	13	<u>51,788</u>	<u>42,481</u>
Total shareholders' funds	14	<u>56,788</u>	<u>47,481</u>

The notes on pages 8 to 13 form part of these financial statements.

Approved by the Board on 2 October 1998
and signed on their behalf by: Simon Wilbraham


Director

SMITHKLINE BEECHAM (SWG) LIMITED

ACCOUNTING POLICIES

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

BASIS OF PREPARATION

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

TURNOVER

Turnover comprises amounts invoiced by the Company to third parties (excluding value added tax) in respect of goods despatched during the year.

FOREIGN CURRENCY TRANSLATION

Transactions in foreign currencies are translated into sterling at the rates of exchange ruling at the date of each transaction. Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the balance sheet dates. Profit and loss accounts of the Company's overseas branch are translated to sterling using average rates of exchange for the period. The net assets of the branch are translated to sterling at the rates of exchange ruling at the balance sheet dates. Exchange differences which relate to the translation of the net assets of the overseas branch are taken directly to reserves. All other exchange differences are taken to the profit and loss account.

INVESTMENTS

Investments are held at cost less any provision required for permanent diminution in value.

TANGIBLE FIXED ASSETS

Tangible fixed asset are stated at cost less depreciation. Depreciation is charged on the costs of tangible fixed assets in equal annual instalments over their estimated useful lives. The range of average lives for each major asset category is:

Motor vehicles	5 years
Office equipment and fittings	4 years.

VACANT PREMISES

Where a commitment exists to lease property surplus to the requirements of the business, provision is made to cover the likely loss that will be incurred over the whole period of the lease.

DEFERRED TAX

Timing differences between profits as computed for taxation purposes and profits as stated in the financial statements are recognised as deferred tax liabilities or assets to the extent that such taxation is expected to be paid or recovered in the foreseeable future.

SMITHKLINE BEECHAM (SWG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. SEGMENTAL INFORMATION

By Geographical Segment	Turnover		Profit before interest and taxation		Net Operating Assets	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000	1997 £'000	1996 £'000
UK	29,526	30,855	9,023	29,871	52,834	44,505
Europe	<u>110</u>	<u>1,193</u>	<u>(223)</u>	<u>(935)</u>	<u>(1,195)</u>	<u>(991)</u>
Total	<u>29,636</u>	<u>32,048</u>	<u>8,800</u>	<u>28,936</u>	<u>51,639</u>	<u>43,514</u>

2. OPERATING PROFIT

Operating profit is stated after charging / (crediting) the following amounts:

	1997 £'000	1996 £'000
Depreciation	14	62
Foreign exchange transaction losses (net)	8	89
Product returns and expiry provision released	(217)	-

3. PROFIT ON DISPOSAL OF INVESTMENTS

	1997 £'000	1996 £'000
Proceeds of sale of subsidiary companies	-	28,509
Carrying Value	<u>-</u>	<u>(3,528)</u>
Profit on sale	-	24,981
Loss on liquidation of subsidiaries	<u>-</u>	<u>(48)</u>
Net profit on disposal	<u>-</u>	<u>24,933</u>

The profit on disposal of investments in 1996 resulted from the sale of two subsidiary companies to another group entity. Two further subsidiaries were sold at cost to the parent undertaking during 1996. The loss on liquidation arose on the liquidation of the Company's non trading subsidiaries.

SMITHKLINE BEECHAM (SWG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. INTEREST

	1997 £'000	1996 £'000
Interest Receivable:		
Interest receivable from group undertakings	3,533	1,287
Bank interest receivable	<u>308</u>	<u>618</u>
	<u>3,841</u>	<u>1,905</u>

5. TAXATION

	1997 £'000	1996 £'000
UK Corporation tax calculated at 31.5% (1996 - 33%)	4,345	3,011
Prior year over provision	(1,045)	-
Deferred taxation	<u>-</u>	<u>1,262</u>
	<u>3,300</u>	<u>4,273</u>

6. DIRECTORS' EMOLUMENTS AND AUDITORS' REMUNERATION

The Directors are employees of and are remunerated for their services by another group undertaking. The Directors received no remuneration in respect of their services to the Company during the year (1996: nil). The auditors' remuneration has been borne in the ultimate parent undertaking, SmithKline Beecham plc.

SMITHKLINE BEECHAM (SWG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. TANGIBLE FIXED ASSETS

	£'000
Plant machinery and equipment	
Cost or valuation	
Balance at 1 January 1997	149
Assets written off	(34)
Exchange adjustment	<u>5</u>
Balance at 31 December 1997	<u>120</u>
Accumulated depreciation	
Balance at 1 January 1997	(62)
Charge for the year	(14)
Exchange adjustment	<u>(2)</u>
Balance at 31 December 1997	<u>(78)</u>
Net book amounts	
At 31 December 1997	<u>42</u>
At 31 December 1996	<u>87</u>

8. STOCK

	1997 £'000	1996 £'000
Finished goods	<u>-</u>	<u>501</u>

9. DEBTORS

	1997 £'000	1996 £'000
Trade debtors	4,315	5,008
Amounts owed by group undertakings	60,186	53,507
Other debtors	369	377
Deferred tax (see note 11)	<u>312</u>	<u>312</u>
	<u>65,182</u>	<u>59,204</u>

SMITHKLINE BEECHAM (SWG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. CREDITORS (AMOUNTS FALLING DUE WITHIN ONE YEAR)

	1997 £'000	1996 £'000
Trade creditors	2,293	1,981
Amounts owed to parent undertakings	-	5,055
Amounts owed to other group undertakings	1,246	1,641
Corporation tax	8,961	6,123
Other creditors	<u>1,085</u>	<u>1,478</u>
	<u>13,585</u>	<u>16,278</u>

11. DEFERRED TAXATION

Deferred taxation assets

	1997 £'000	1996 £'000
At 1 January 1997	312	1,574
Charge to Profit and Loss Account	<u>-</u>	<u>(1,262)</u>
At 31 December 1997	<u>312</u>	<u>312</u>

Deferred taxation arises from the following differences:

Vacant premises provision	<u>312</u>	<u>312</u>
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There is no deferred taxation asset or liability unprovided for in the Company.

12. CALLED UP SHARE CAPITAL

	1997 £'000	1996 £'000
Authorised Issued and fully paid 5,000,000 £1 Ordinary Shares	<u>5,000</u>	<u>5,000</u>

13. RESERVES

	Profit and loss account reserve £'000
At 1 January 1997	42,481
Retained profit for the year	<u>9,307</u>
At 31 December 1997	<u>51,788</u>

SMITHKLINE BEECHAM (SWG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	1997 £'000	1996 £'000
Profit for the year	9,341	26,568
Exchange adjustment	(34)	-
Net additions to shareholders' funds	9,307	26,568
Opening shareholders' funds	<u>47,481</u>	<u>20,913</u>
Closing shareholders' funds	<u>56,788</u>	<u>47,481</u>

15. CASH FLOW STATEMENT

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

16. CONTINGENCIES

The Company, together with fellow group Undertakings has entered into a Group Banking Arrangement with the Company's principal bankers. The Bank holds the right to pay and apply funds from any account of the Company to settle any indebtedness to the Bank of any other party to this agreement.

17. ULTIMATE PARENT UNDERTAKING

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

18. RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary of SmithKline Beecham Group, advantage has been taken of the exception afforded by Financial Reporting Standard 8 not to disclose any related party transactions within the Group. There are no other related party transactions.