

SmithKline Beecham Liaison Services Limited
(Registered Number: 210520)

Directors' Report and Accounts

31 December 1998



SmithKline Beecham Liaison Services Limited

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SmithKline Beecham Liaison Services Limited

Report of the Directors for the Year Ended 31 December 1998

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 year ended 31 December 1998.

Principal Activities

The principal activity of the company was to provide liaison and technical services in Cyprus.

Review of the Business and Future Developments

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

Results and Dividends

The profit and loss account is shown on page 5. The Directors do not recommend the payment of a dividend (1997: £Nil) and accordingly the profit for the year after tax of £17,000 (1997 loss: £3,000) has been transferred to reserves.

Fixed Assets

Details of fixed assets are summarised in Note 7 to the financial statements.

Year 2000

Many computer systems express dates using only the last two digits of the year. These systems require modification or replacement to accommodate the Year 2000 and beyond in order to avoid malfunctions. The operation of the Company depends on the systems of the SmithKline Beecham Group ("the Group") and also to some degree on those of its customers and suppliers.

Ensuring Year 2000 compliance of critical systems is part of a Group wide initiative and it remains a top business priority. These plans are detailed in the Annual Report and Accounts of the Group, which are available as disclosed in Note 13.

The Company recognises that there are risks posed by non-compliance and there is no guarantee that the Company will not be adversely impacted by Year 2000 matters. To mitigate these risks the Group has additionally launched a business continuity programme under which contingency plans are being developed where possible.

The Company's annual expenditure directly associated with Year 2000 compliance is not material and has been borne by the Group.

SmithKline Beecham Liaison Services Limited

Report of the Directors for the Year Ended 31 December 1998 (Continued)

Directors

The following were directors of the Company during the year:

P M Barrett
A R Curl
B J Dolbear (resigned 4 September 1998)
I B Hunter
S L Roberts (appointed 4 September 1998)
R M Whittaker

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

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 year end in the shares of the ultimate parent undertaking, SmithKline Beecham plc, have been notified to the Company.

	Ordinary Shares at 31 December	
	1998	1997*
P M Barrett	14,814	31,257
A R Curl	8,475	15,658
I B Hunter	30,737	33,762
S L Roberts	416	242
R M Whittaker	64,806	69,109

* or date of appointment if later

	31 December 1998	Granted	Options over Ordinary Shares	
			Exercised	31 December 1997*
P M Barrett	270,218	39,600	23,782	254,400
A R Curl	127,992	28,875	50,000	149,117
I B Hunter	270,954	39,600	-	231,354
S L Roberts	12,000	6,000	-	6,000
R M Whittaker	202,240	28,875	-	173,365

* or date of appointment if later

Mid-Term Incentive Plan

Directors have acquired interests in the following Ordinary Shares under the SmithKline Beecham Mid-Term Incentive Plan ("MTI Plan"), through which shares may be earned by reference to the Group's performance over a three year measurement period. These interests have been acquired on a nil price basis and the number of Ordinary Shares which will subsequently be earned will be determined by the extent to which the Group meets certain performance conditions following the end of the relevant three year measurement period. The following table shows the maximum number of Ordinary Shares that can be awarded.

SmithKline Beecham Liaison Services Limited

Report of the Directors for the Year Ended 31 December 1998 (Continued)

Directors (continued)

	1998	Ordinary Shares at 31 December Granted	1997
P M Barrett	22,600	6,000	16,600
A R Curl	18,400	4,600	13,800
I B Hunter	22,600	6,000	16,600
R M Whittaker	18,400	4,600	13,800

The options for the purchase of ordinary shares may be exercised at a variety of prices. Details of option prices and market prices of ordinary shares during the year together with full details of the SmithKline Beecham Senior Executive Option Plans and MTI Plan are disclosed in the accounts of SmithKline Beecham plc.

Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. 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 accounts; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Auditors

The Company's auditors, Price Waterhouse, merged with Coopers & Lybrand on 1 July 1998 and on the 4 September 1998 the new firm, PricewaterhouseCoopers was appointed by the Board to fill a casual vacancy arising by reason of the resignation of Price Waterhouse, as auditors of the Company.

The Company has adopted the elective regime permitting it to dispense with the requirement to re-appoint auditors annually. Accordingly, PricewaterhouseCoopers, who have indicated their willingness to continue in office, shall be deemed to have been re-appointed annually until such time as notice proposing their removal is received.

By order of the Board


S N Wilbraham
Secretary

26 October 1999

Auditors' Report to the Members of SmithKline Beecham Liaison Services Limited

We have audited the financial statements on pages 5 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report, including as described on page 3 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, and our profession's ethical guidance.

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. We also report to you if, in our opinion, the Director's 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.

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 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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and
Registered Auditors
London

26 October

1999

SmithKline Beecham Liaison Services Limited

Profit and Loss Account For the Year Ended 31 December 1998

	Note	1998 £'000	Year ended 1997 £'000
Turnover	1	507	350
Administrative Expenses		(483)	(337)
Operating Profit	2	24	13
Interest receivable	5	1	3
Profit on ordinary activities before taxation		25	16
Taxation on profit on ordinary activities	6	(8)	(19)
Profit/(Loss) for the Financial Year		17	(3)

All activity arises from continuing operations.

There were no recognised gains and losses other than those passing through the profit and loss account for the period.

The accounting policies on page 7 and the notes on pages 8 to 11 form part of these accounts.

SmithKline Beecham Liaison Services Limited

Balance Sheet as at 31 December 1998

	Note	1998 £'000	At 31 December 1997 £'000
Fixed Assets			
Tangible Assets	7	63	45
Current assets			
Debtors	8	1,376	872
Cash at bank & in hand		60	67
		1,436	939
Creditors: amounts falling due within one year	9	(1,467)	(969)
Net Current Liabilities		(31)	(30)
Total assets less current liabilities		32	15
Capital and Reserves			
Called up share capital	10	16	16
Profit and loss account	11	16	(1)
Total shareholders' funds - equity interests	12	32	15

Approved by the Board on *26 October* 1999
and signed on their behalf by:

A R Cull
Director

The accounting policies on page 7 and the notes on pages 8 to 11 form part of these accounts.

Handwritten signature

SmithKline Beecham Liaison Services Limited

Accounting Policies

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

Accounting convention

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

Turnover

Turnover represents service fee income from group companies net of value added tax and other sales taxes.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions denominated in foreign currencies entered into during the year are translated at the rate ruling at the date of the transaction.

Exchange differences arising on the revaluation of reserves in foreign currencies are taken to reserves. All other differences in exchange arising from the transactions of foreign currencies are taken to the profit and loss account.

Tangible fixed assets

Tangible fixed assets are stated at cost or revalued amount less accumulated depreciation.

Depreciation is charged on a straight line basis at the following annual rates:

Office fixtures & fittings	8 years
Residence furniture & fittings	10 years
Motor vehicles	5 years
Computer equipment	4 years

SmithKline Beecham Liaison Services Limited

Notes to the Accounts for the Year Ended 31 December 1998

1 Segmental information

Turnover and profit after taxation are derived from the one class of business which is the provision of services to associated undertakings.

2 Operating Profit

Operating profit is stated after charging:

	1998 £'000	1997 £'000
Auditors' remuneration	2	3
Depreciation	17	17
Foreign exchange losses	1	-

3 Employees

	1998 £'000	1997 £'000
Salaries and wages	244	157
Social security costs	9	17
	253	174

The average number of employees, all of whom work overseas, employed by the Company during the year was 4 (1997:3).

4 Directors' Emoluments

The Directors received no remuneration in relation to their services to the Company during the year (1997: nil).

5 Interest receivable

	1998 £'000	1997 £'000
Interest receivable on bank deposits	1	3

SmithKline Beecham Liaison Services Limited

Notes to the Accounts for the Year Ended 31 December 1998

6 Taxation

	1998 £'000	1997 £'000
UK Corporation Tax at 31%(1997: 31.5%)	8	7
Under provision in prior year	-	12
Taxation charge	8	19

7 Tangible Assets

	Office fixtures & fittings £'000	Residence furniture & fittings £'000	Office Machinery £'000	Motor Vehicles £'000	Total £'000
Cost					
At 1 January 1998	11	10	17	78	116
Additions	-	-	9	26	35
At 31 December 1998	11	10	26	104	151
Depreciation					
At 1 January 1998	3	2	5	61	71
Charge for year	1	-	6	10	17
At 31 December 1998	4	2	11	71	88
Net Book Amounts					
At 31 December 1998	7	8	15	33	63
At 31 December 1997	8	8	12	17	45

8 Debtors

	1998 £'000	1997 £'000
Amounts owed by group undertakings	1,376	869
Prepayments	-	3
	1,376	872

SmithKline Beecham Liaison Services Limited

Notes to the Accounts for the Year Ended 31 December 1998

9 Creditors: amounts falling due within one year

	1998 £'000	1997 £'000
Amounts owed to group undertakings	1,374	868
Accruals	61	75
Taxation	32	26
	1,467	969

10 Called Up Share Capital

	1998 £	1997 £
Authorised : Ordinary shares of £1 each	16,500	16,500
Allotted and fully paid: Ordinary shares of £1 each	16,402	16,402

11 Reserves

	Profit and Loss account £'000
At 1 January 1998	(1)
Profit for the financial year	17
At 31 December 1998	16

12 Reconciliation of Movements in Shareholders' Funds

	1998 £'000	1997 £'000
Profit/(Loss) for Period	17	(3)
Net movement in shareholders' funds	17	(3)
Opening shareholders' funds	15	18
Closing shareholders' funds	32	15

SmithKline Beecham Liaison Services Limited

Notes to the Accounts for the Year Ended 31 December 1998

13 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 undertakings for which group accounts are prepared, and which includes the results of SmithKline Beecham Liaison Services Limited, are the consolidated accounts of SmithKline Beecham plc. Copies of the consolidated group accounts can be obtained from New Horizons Court, Great West Road, Brentford, Middlesex, TW8 9EP.

14 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 taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (Revised 1996).

15 Related Party Transactions

As a wholly owned subsidiary of SmithKline Beecham plc advantage has been taken of the exemption afforded by Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the SmithKline Beecham plc group. There are no other related party transactions.