

**Diversified Health Systems Limited**  
**(Registered Number 300462)**

**Annual Report and Financial Statements**

**For the year ended 31st December 2006**

**Registered office address**  
980 Great West Road  
Brentford  
Middlesex  
TW8 9GS

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**Diversified Health Systems Limited**  
**Annual Report and Financial Statements**  
**For the year ended 31st December 2006**

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## **Diversified Health Systems Limited**

### **Directors' Report for the year ended 31st December 2006**

The Directors submit their report and the audited financial statements for the year ended 31st December 2006

#### **Principal activities**

The principal activity of the Company is the payment and receipt of interest. The Directors do not envisage any change to the nature of the business in the foreseeable future.

#### **Review of business**

The Company made a loss on ordinary activities after taxation of £524,000 (2005 - loss of £495,000). The Directors are of the opinion that the current level of activity and the year end financial position are sustainable, and the company remains a going concern.

The retained loss for the year of £524,000 will be transferred from reserves (2005 - retained loss for the year of £495,000 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.

No dividend is proposed to the holders of Ordinary Shares in respect of the year ended 31st December 2006 (2005 - £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 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 GlaxoSmithKline Group (the Group).

At 31st December 2006 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.

#### **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.

## **Diversified Health Systems Limited**

### **Directors' Report for the year ended 31st December 2006**

#### **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

#### **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 reappointed 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 reappointment be brought to an end

By order of the Board



P Williamson

**For and on behalf of Edinburgh Pharmaceutical Industries Limited**

**Company Secretary**

26 March 2007

## **Diversified Health Systems Limited**

### **Independent Auditors' Report to the shareholders of Diversified Health Systems Limited**

We have audited the financial statements of Diversified Health Systems Limited for the year ended 31st December 2006 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 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**

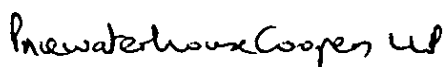
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 2006 and of its loss 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 LLP  
Chartered Accountants and Registered Auditors  
26 March 2007

## Diversified Health Systems Limited

### Profit and Loss Account

For the Year Ended 31st December 2006

		2006	2005
	Notes	£'000	£'000
Administrative expenses		(6)	(6)
Other operating income		-	3
Operating loss	2	(6)	(3)
Interest payable	3	(742)	(702)
<b>Loss on ordinary activities before taxation</b>		<b>(748)</b>	<b>(705)</b>
Taxation	4	224	210
<b>Loss on ordinary activities after taxation</b>		<b>(524)</b>	<b>(495)</b>
<b>Retained loss</b>	8	<b>(524)</b>	<b>(495)</b>

The results disclosed above relate entirely to continuing operations

There is no difference between the loss on ordinary activities before taxation and the retained 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 statements

# Diversified Health Systems Limited

## Balance Sheet

As at 31st December 2006

		2006	2005
	Notes	£'000	£'000
Debtors	5	857	633
Cash at bank		-	-
<b>Current assets</b>		<b>857</b>	<b>633</b>
<b>Creditors' amounts due within one year</b>	<b>6</b>	<b>(15,257)</b>	<b>(14,509)</b>
<b>Net current liabilities</b>		<b>(14,400)</b>	<b>(13,876)</b>
<b>Net liabilities</b>		<b>(14,400)</b>	<b>(13,876)</b>
<b>Capital and reserves</b>			
Called up share capital	7	15,000	15,000
Profit and loss account	8	(29,400)	(28,876)
<b>Equity shareholder's funds</b>	<b>9</b>	<b>(14,400)</b>	<b>(13,876)</b>

The accounts on pages 4 to 9 were approved by the Board of Directors on 26 March 2007 and were signed on its behalf by



A Grist

For and on behalf of Edinburgh Pharmaceutical Industries Limited – Director

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

# Diversified Health Systems Limited

## Notes to the Financial Statements for the year ended 31st December 2006

### 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 transactions

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 operating loss.

#### (c) 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.

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

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.

### 2 Operating loss

	2006 £'000	2005 £'000
<b>The following items have been charged/(credited) in operating loss</b>		
Exchange gains on foreign currency transactions	-	(3)
Management charge	6	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 this charge is Auditor Remuneration of £3,000 (2005 - £2,500).

### 3 Interest payable

	2006 £'000	2005 £'000
<b>Interest payable</b>		
On loans with group undertakings	(742)	(702)



# Diversified Health Systems Limited

## Notes to the Financial Statements for the year ended 31st December 2006

### 4 Taxation

	2006 £'000	2005 £'000
<b>Taxation charge/(credit) based on profits for the period</b>		
UK corporation tax at 30% (2005 - 30%)	(222)	(210)
Prior year adjustment to current tax	(2)	-
	<b>(224)</b>	<b>(210)</b>
<b>Reconciliation of the taxation charge</b>	<b>2006 £'000</b>	<b>2005 £'000</b>
Tax on ordinary losses at UK standard tax rate	(224)	(212)
Expenses not deductible	223	211
Prior year adjustments	(2)	-
Amount receivable from group companies	(223)	(211)
Other permanent differences	2	2
Current tax charge for the period	<b>(224)</b>	<b>(210)</b>

### 5 Debtors

	2006 £'000	2005 £'000
<b>Amounts due within one year</b>		
Amounts owed by group undertakings	857	633
	<b>857</b>	<b>633</b>

### 6 Creditors

	2006 £'000	2005 £'000
<b>Amounts due within one year</b>		
Amounts owed to group undertakings	15,256	14,508
Taxation	1	1
	<b>15,257</b>	<b>14,509</b>

### 7 Called up share capital - equity interests

	2006 Number of shares	2005 Number of shares	2006 £'000	2005 £'000
<b>Authorised</b>				
Ordinary Shares of £1 each	15,000,300	15,000,300	15,000	15,000
<b>Issued and fully paid</b>				
Ordinary Shares of £1 each	15,000,300	15,000,300	15,000	15,000

## Diversified Health Systems Limited

### Notes to the Financial Statements for the year ended 31st December 2006

#### 8 Reserves - equity interests

Profit & Loss  
account

£'000

At 1st January 2006	(28,876)
Loss for the financial year	(524)
At 31st December 2006	(29,400)

#### 9 Reconciliation of movement in shareholders' funds

2006  
£'000

2005  
£'000

Loss for the financial year	(524)	(495)
Opening shareholder's funds	(13,876)	(13,381)
Closing shareholder's funds - equity interests	(14,400)	(13,876)

#### 10 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.

#### 11 Employees

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

#### 12 Directors' remuneration

The Corporate Directors received no remuneration in respect of their services to the Company (2005 - £nil).

#### 13 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.

## **Diversified Health Systems Limited**

### **Notes to the Financial Statements for the year ended 31st December 2006**

#### **14 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 plc.

#### **15 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.