

Diversified Health Systems Limited
(Registered Number 300462)

Annual Report and Financial Statements

For the Year Ended 31st December 2003



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Diversified Health Systems Limited

Annual Report and Financial Statements

For the Year Ended 31st December 2003

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Diversified Health Systems Limited

Directors' Report for the Year Ended 31st December 2003

The Directors submit their report and the audited financial statements for the year ended 31st December 2003.

Principal activities

The Company's principal activity is as a holding company, with a residue of healthcare services.

Review of business

The Company made a loss on ordinary activities after taxation of £681,000 (2002 - loss of £887,000).

The loss for the year of £681,000 will be transferred from reserves (2002 - retained loss for the year of £887,000 transferred from reserves).

During 2002 the Company disposed of the Intellectual Property of Health One software and terminated the software writing contract with HDMP SA pursuant to the business restructuring programme. Some associated costs for this business restructuring have been incurred during 2003.

Results and dividends

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

The Directors propose that no dividend be paid to the holders of Ordinary Shares in respect of the year ended 31st December 2003 (2002 - £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 Group.

At 31st December 2003 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.

Diversified Health Systems Limited

Directors' Report for the Year Ended 31st December 2003

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.

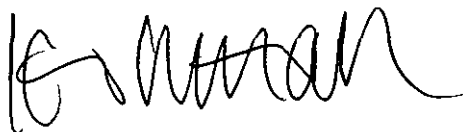
The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets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



L Nuttall

For and on behalf of Edinburgh Pharmaceutical Industries Limited

Secretary

5th March 2004

Diversified Health Systems Limited

Independent auditors' report to the members of Diversified Health Systems Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet 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 2003 and of its loss 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

5 March 2004

Diversified Health Systems Limited

Profit and Loss Account

For the Year Ended 31st December 2003

		2003	2002
	Notes	£'000	£'000
Administrative expenses		(20)	(509)
Trading loss		(20)	(509)
Other operating income		-	15
Discontinued operations		(7)	(497)
Continuing operations		(13)	3
Operating profit/(loss)	2	(20)	(494)
Net interest payable	3	(576)	(889)
Loss on ordinary activities before taxation		(596)	(1,383)
Taxation	4	(85)	496
Loss	10	(681)	(887)

There is no difference between the loss on ordinary activities before taxation and the retained loss stated above and their historical cost equivalents.

The notes on pages 6-10 form part of these statements

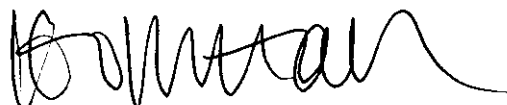
Diversified Health Systems Limited

Balance Sheet

As at 31st December 2003

		2003	2002
	Notes	£'000	£'000
Debtors	5	2,035	8,285
Cash at bank		29	2,223
Current assets		2,064	10,508
Creditors: amounts due within one year	6	(14,917)	(22,674)
Net current assets		(12,853)	(12,166)
Provisions for liabilities and charges	7	-	(6)
Net assets		(12,853)	(12,172)
Capital and reserves			
Called up share capital	9	15,000	15,000
Profit and loss account	10	(27,853)	(27,172)
Equity shareholders' funds	11	(12,853)	(12,172)

The accounts on pages 4 to 10 were approved by the Board of Directors on 5th March 2004 and were signed on its behalf by:



L Nuttall

For and on behalf of Edinburgh Pharmaceutical Industries Limited – Director

The notes on pages 6-10 form part of these statements

Diversified Health Systems Limited

Notes to the Financial Statements for the Year Ended 31st December 2003

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.

The Directors consider it appropriate to prepare financial statements on a going concern basis on the basis of continuing support from the Company's parent undertaking.

(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.

(c) 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.

(d) 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.

(e) 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 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.

(f) Legal and other disputes

Provision is made for the anticipated settlement costs and legal and other expenses associated with 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 Operating profit/loss

	2003 £'000	2002 £'000
The following items have been charged in operating profit/loss		
Consultants fees	-	656
Provision for reorganisation	-	(108)
Release of provision	-	(67)
Other reorganisation costs	-	-
Impairment of investment held as fixed asset	-	13

Diversified Health Systems Limited

Notes to the Financial Statements for the Year Ended 31st December 2003

3 Net interest payable

	2003 £'000	2002 £'000
Interest payable		
On bank loans and overdrafts	-	14
On loans with group undertakings	(606)	(900)
	(606)	(886)
Investment income		
Third party interest receivable	30	(3)
	(576)	(889)

4 Taxation

	2003 £'000	2002 £'000
Taxation charge based on profits for the period		
UK corporation tax at 30% (2003: 30%)	(247)	(783)
Deferred taxation	1,102	368
Prior year adjustment to current tax	(770)	(81)
	85	(496)
Reconciliation of the taxation charge		
Tax on ordinary losses at UK standard tax rate	(180)	(415)
Income not taxable	(67)	-
Prior year adjustments to current tax	(770)	(81)
Capital allowances in excess of depreciation	-	(368)
Current tax charge for the period	(1,017)	(864)

5 Debtors

	2003 £'000	2002 £'000
Amounts due within one year		
Amounts owed by group undertakings	1,789	6,389
Corporation tax	246	783
Deferred taxation	-	1,102
Other debtors	-	11
	2,035	8,285

Diversified Health Systems Limited

Notes to the Financial Statements for the Year Ended 31st December 2003

6 Creditors

	2003 £'000	2002 £'000
Amounts due within one year		
Trade creditors	4	27
Amounts owed to group undertakings	14,913	22,647
Amounts owed to associates	-	-
Taxation	-	-
Other taxes and social security	-	-
	14,917	22,674

7 Provisions for liabilities and charges

	Business Restructuring £'000	Total £'000
At 1st January 2003	6	6
Applied	(6)	(6)
At 31st December 2003	-	-

A business restructuring provision of £1,635,000 was created in 2001. This was for the costs (mainly incurred during 2002) relating to the disposal of the Intellectual Property of Health One software, the termination of the Software Writing contract with HDMP SA and the disposal of the Eglantine investment. As at 1st January 2003, the remainder of this provision totalled £6,000. This has been fully utilised during the year.

8 Deferred taxation asset

	2003 £'000	2002 £'000
Accelerated capital allowances	-	(1,102)
	Deferred taxation £'000	Total £'000
At 1st January 2003	(1,102)	(1,102)
Charge to profit and loss	1,102	1,102
At 31st December 2003	-	-

Diversified Health Systems Limited

Notes to the Financial Statements for the Year Ended 31st December 2003

9 Called up share capital - equity interests

	2003 Number of shares	2002 Number of shares	2003 £'000	2002 £'000
Authorised				
Ordinary Shares of £1 each	15,000,300	15,000,300	15,000	15,000
Issued and fully paid				
Ordinary Shares of £1 each	15,000,300	1,500,300	15,000	15,000

10 Reserves - equity interests

	Profit & Loss account £'000
At 1st January 2003	(27,172)
Loss for the financial year	(681)
At 31st December 2003	(27,853)

11 Reconciliation of movement in shareholders' funds

	2003 £'000	2002 £'000
Loss for the financial year	(681)	(887)
Opening shareholders' funds	(12,172)	(11,285)
Closing shareholders' funds – equity interests	(12,853)	(12,172)

12 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.

13 Employees

There are no employees of the Company as all personnel are employed by other group companies.

Diversified Health Systems Limited

Notes to the Financial Statements for the Year Ended 31st December 2003

14 Directors' Remuneration

Corporate Directors received no remuneration during the year, either as executives of the GlaxoSmithKline group or in respect of their services to the Company (2002 - £nil).

15 Auditors' Remuneration

The auditors' remuneration has been borne by the GlaxoSmithKline Group.

16 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.

17 Ultimate parent undertaking

GlaxoSmithKline plc, a 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 Secretary, GlaxoSmithKline plc, 980 Great West Road, Brentford, Middlesex TW8 9GS. The immediate parent undertaking is SmithKline Beecham plc.

18 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.