Stafford-Miller Limited
(Registered Number 318499)

Directors' Report and Financial Statements

For the Year Ended 31st December 2002

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

Stafford-Miller Limited

Directors' Report and Financial Statements

For the Year Ended 31st December 2002

Stafford-Miller Limited

Directors' Report for the Year Ended 31st December 2002

The Directors submit their report and the audited financial statements for the year ended 31st December 2002.

Principal activities

The principal activities of the Company are the manufacture, distribution and sale of pharmaceutical and toiletry products.

Review of business

The Company made a profit on ordinary activities after taxation of £15,752,000 (2001 loss - £4,101,000). The Directors are of the opinion that the current level of activity, and the year end financial position is satisfactory and will remain so in the foreseeable future.

The retained profit for the year of £15,752,000 will be transferred to reserves (2001 loss - £4,101,000).

Following the acquisition of its ultimate parent company, Block Drug Company Inc., by SmithKline Beecham plc, part of the GlaxoSmithKline group of companies, on 16th January 2001, the restructuring and integration programmes continued in the period under review. In particular, the warehouse at Plymouth and the car park at Welwyn Garden City have now been sold and the manufacturing operations based in Plymouth will be transferred to another group company during 2003.

Results and dividends

The Company's results for the financial year are shown in the profit and loss account on page 5.
The Directors propose that no dividend be paid to the holders of Ordinary Shares in respect of the year ended 31st December 2002 (2001 - £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
Mr J S Rigby (resigned 31 March 2003)

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 with the exception of Corporate Directors 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 or their families to acquire benefits through the acquisition of shares, or debentures of the Company, or any body corporate within the Group.

At 31st December 2002, none of the Directors have beneficial interests in the shares of any other Group company, other than GlaxoSmithKline plc, with the exception of the Corporate Directors, who hold investments in other group companies in the ordinary course of business.

The following interests of the Directors in office at the year end in the shares of the ultimate parent undertaking, GlaxoSmithKline plc have been notified to the Company.

Stafford-Miller Limited

Directors' Report for the Year Ended 31st December 2002

Directors' Interests

Name	Shares At 31.12.02	At 31.12.01
J S Rigby	**4,439**	436

Share Options	At 31.12.01	Granted	Exercised	Lapsed	At 31.12.02
J S Rigby	45,000	22,500	-	-	**67,500**

Performance Share Plan	At 31.12.01	Granted	Vested	Lapsed	At 31.12.02
J S Rigby	4,000	2,000	-	-	**6,000**

Employees

An extensive range of communications programmes stimulates involvement in the goals and progress of GlaxoSmithKline plc and its subsidiaries. These include presentations of business results, Groupwide magazines, site newspapers, videos, recorded voice-mail messages from senior executive officers and access to the GlaxoSmithKline plc intranet.

The Company remains committed to employment policies which do not discriminate between potential or existing staff on the grounds of colour, race, ethnic and national origin, gender, marital status, religious beliefs or disability. In the UK, if an employee becomes disabled whilst in employment and, as a result, is unable to perform normal duties, every effort is made to offer suitable alternative employment and assistance with re-training.

Payment policy

The Company operates procedures to ensure that suppliers are paid on time. In particular, the Company seeks:
- to settle terms of payment with suppliers when agreeing the terms of the transaction
- to ensure that suppliers are made aware of the agreed terms of payment
- to abide by the terms of payment

The procedures include arrangements for accelerated payment of small suppliers.

Payment performance

Trade creditors at 31st December 2002 represented 40 days (2001- 41 days) of annual purchases for the Company.

Stafford-Miller Limited

Directors' Report for the Year Ended 31st December 2002

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.

Auditors

Following the conversion of our auditors, PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 6 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the Annual General Meeting.

By order of the Board

LADay

Lorraine Day

For and on behalf of Edinburgh Pharmaceutical Industries Limited
Corporate Director
25th June 2003

Stafford-Miller Limited

Independent auditors' report to the members of Stafford-Miller 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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

2 July 2003

Stafford-Miller Limited

Profit and Loss Account
For the Year Ended 31st December 2002

	Notes	2002 £000	2001 £000
Turnover			
- Continuing operations		**77,779**	75,216
- Discontinued operations		**-**	4,259
	3	**77,779**	79,475
Cost of sales			
- ordinary		**(21,526)**	(27,146)
- exceptional restructuring	7	**(1,197)**	(4,508)
		(22,723)	(31,654)
Gross profit		**55,056**	47,821
Selling and distributions costs		**(27,187)**	(29,890)
Administrative expenses			
- ordinary		**(1,977)**	(5,299)
- exceptional restructuring	7	**(2,632)**	(10,756)
		(4,609)	(16,055)
Trading profit		**23,260**	1,876
Other operating expense	5	**(419)**	(5,780)
Operating profit/(loss)			
- Continuing operations		**22,841**	(5,164)
- Discontinued operations		**-**	1,260
	6	**22,841**	(3,904)
Loss on disposal of fixed assets		**(866)**	-
Profit on disposal of branch operations		**-**	845
Profit/(loss) on ordinary activities before interest and taxation		**21,975**	(3,059)
Net interest receivable/(payable)	8	**118**	(445)
Profit/(loss) on ordinary activities before taxation		**22,093**	(3,504)
Tax on profit/(loss) on ordinary activities	9	**(6,341)**	(597)
Profit/(loss) on ordinary activities after taxation		**15,752**	(4,101)
Retained profit/(loss) for the financial year	17	**15,752**	(4,101)

There is no difference between the profit on ordinary activities before taxation and the retained profit 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 accounts.

The notes on pages 7 to 17 form part of these financial statements

Stafford-Miller Limited

Balance Sheet
As at 31st December 2002

	Notes	2002 £000	2001 £000
Fixed Assets			
Tangible assets	*10*	**2,225**	5,343
Current assets			
Stock	*11*	**10,252**	10,266
Debtors	*12*	**37,029**	17,271
Cash at bank		**7,629**	241
		54,910	27,778
Creditors: amounts due within one year	*13*	**(19,025)**	(12,495)
Net current assets		**35,885**	15,283
Total assets less current liabilities		**38,110**	**20,626**
Provisions for liabilities and charges	*14*	**(6,281)**	(4,549)
Net assets		**31,829**	16,077
Capital and reserves			
Called up share capital	*16*	**920**	920
Profit and loss account	*17*	**30,909**	15,157
Equity shareholders' funds	*18*	**31,829**	16,077

The accounts on pages 5 to 17 were approved by the Board of Directors on 25th June 2003 and were signed on its behalf by:

L Day

Lorraine Day
For and on behalf of Edinburgh Pharmaceutical Industries Limited – Director

The notes on pages 7 to 17 form part of these financial statements.

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 are prepared under the historical cost convention, and comply with all applicable UK accounting standards.

(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) Revenue

Revenue is recognised in the profit and loss account when goods or services are supplied to customers against orders received. Turnover represents the net invoice value, after deduction of discounts given at the point of sale, of products despatched to, or available for collection by customers, less accruals for estimated future rebates and returns. Value added tax and other sales taxes are excluded from revenue.

(d) 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. Advertising expenditure is charged to the profit and loss account as incurred. Restructuring costs are recognised in respect of the direct expenditures of a business reorganisation where the plans are sufficiently detailed and well advanced, and where appropriate communication to those affected has been undertaken at the balance sheet date.

(e) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less a provision for depreciation.

The costs of acquiring and developing computer software for internal use and internet sites for external use are capitalised as a tangible fixed asset where the software or site supports a significant business system and the expenditure leads to the creation of a durable asset.

Depreciation is calculated to write off the cost of tangible fixed assets, excluding freehold land, in equal annual instalments over their expected useful lives. The normal expected useful lives of the major categories of tangible fixed assets are:

Freehold buildings	20 to 50 years
Leasehold land and buildings	The shorter of lease term and 50 years
Plant and machinery	10 to 20 years
Fixtures and equipment	3 to 10 years
Computer software	3 to 5 years

On disposal of a tangible fixed asset, the cost and related accumulated depreciation are removed from the accounts and the net amount, less any proceeds, is taken to the profit and loss account.

Stafford-Miller Limited

Notes to the Financial Statements for the Year Ended 31st December 2002

(f) 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. First year impairment reviews are conducted for acquired goodwill and intangible assets. 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. Any provision for impairment is charged against profit in the year concerned.

(g) Operating Leases

Operating lease costs are charged against profit on a straight-line basis over the lease term.

(h) Stocks

Stocks are included in the accounts at the lower of cost (including manufacturing overheads, where appropriate) and net realisable value. Cost is generally determined on a first in, first out basis.

(i) Taxation

Deferred Taxation is accounted for by the Company for taxation 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 it is more likely than not that they will be recovered.

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.

(j) Legal and other disputes

Provision is made for the anticipated settlement costs and legal and other expenses associated with claims received and legal and other disputes against the Company where a reasonable estimate can be made of the likely outcome of the dispute. Where an obligation exists under a dispute but it is not possible to make a reasonable estimate, no provision is made. Costs associated with claims made by the Group against third parties are charged to the profit and loss account as they are incurred.

2 New accounting policies and requirements

The Company has implemented Financial Reporting Standard 19: 'Deferred tax' in 2002 which requires deferred tax to be accounted for on a full provision basis. There would be no impact of implementing FRS 19 for 2001 or 2002.

3 Segmental information

The analysis of turnover by business sector are:

	Turnover	
	2002	2001
	£000	£000
Business sector:		
Dental	**53,636**	57,576
Consumer Healthcare	**24,143**	21,874
Pharmaceuticals	**-**	25
	77,779	79,475

The analysis of external turnover by location of customer:

	2002	2001
	£000	£000
United Kingdom	**64,170**	59,692
Rest of Europe	**1,272**	5,595
Africa and Middle East	**12,148**	9,859
Australia and Asia	**-**	4,301
Other	**189**	28
	77,779	79,475

4 Analysis of continuing/discontinued operations

	Year ended 31 December 2002		
	Continuing operations £000	Discontinued operations £000	Total £000
Turnover	77,779	-	77,779
Cost of sales	(22,723)	-	(22,723)
Gross profit	55,056	-	55,056
Selling and distribution costs	(27,187)	-	(27,187)
Administrative expenses			
ordinary	(1,977)	-	(1,977)
exceptional restructuring (see note 7)	(2,632)	-	(2,632)
Trading profit	23,260	-	23,260
Other operating income/(expense)	(419)	-	(419)
Operating profit	22,841	-	22,841

	Year ended 31 December 2001		
	Continuing operations £000	Discontinued operations £000	Total £000
Turnover	75,216	4,259	79,475
Cost of sales	(29,807)	(1,847)	(31,654)
Gross profit	45,409	2,412	47,821
Selling and distribution costs	(28,935)	(955)	(29,890)
Administrative expenses			
ordinary	(5,118)	(181)	(5,299)
exceptional restructuring (see note 7)	(10,756)	-	(10,756)
Trading profit	600	1,276	1,876
Other operating income/(expense)	(5,764)	(16)	(5,780)
Operating profit	(5,164)	1,260	(3,904)

5 Other operating income/(expense)

	2002 £000	2001 £000
Other operating income	-	56
Other income from group undertakings	121	-
Other operating expenses	(540)	(5,836)
	(419)	(5,780)

Other operating expenses comprise non-recurring costs related to exchange loss. Other operating income arises from amounts recharged to other GlaxoSmithKline plc group companies.

Stafford-Miller Limited

Notes to the Financial Statements for the Year Ended 31st December 2002

6 Operating profit/(loss)

	Year ended 31 December 2002 Discontinued £000	Continuing £000	Total £000
The following items have been charged in operating profit/(loss)			
Profit on disposals of fixed assets	-	-	-
Depreciation of tangible fixed assets:			
Owned assets	-	525	525
Write off of intangible fixed assets	-	-	-
Exchange losses/(gains) on foreign currency transactions	-	422	422
Operating lease rentals:			
Other assets	-	202	202
Amounts written off investments	-	-	-
Audit fees	-	-	-
Fees to auditors for other work:			
Auditors' UK firm	-	-	-
Auditors' overseas firm-discontinued	-	-	-

The auditors' remuneration has been borne by GlaxoSmithKline plc. for 2002.

	Year ended 31 December 2001 Discontinued £000	Continuing £000	Total £000
Profit on disposals of fixed assets	-	(9)	(9)
Depreciation of tangible fixed assets:			
Owned assets	27	854	881
Write off of intangible fixed assets	-	3,491	3,491
Exchange losses/(gains) on foreign currency transactions	(178)	5	(173)
Operating lease rentals:			
Other assets	-	78	78
Amounts written off investments	-	300	300
Audit fees	-	3	3
Fees to auditors for other work:			
Auditors' UK firm	-	1	1
Auditors' overseas firm	9	-	9

7 Exceptional Restructuring

	Year ended 31 December 2002 Cost of sales £000	Administrative expenses £000	Total £000
Staff Costs	436	672	1,108
Asset write down	-	-	-
Other operating charges	761	1,960	2,721
Effect on profit before tax	1,197	2,632	3,829
Effect on taxation	(359)	(790)	(1,149)
Effect on earnings	838	1,842	2,680

Stafford-Miller Limited

Notes to the Financial Statements for the Year Ended 31st December 2002

7 Exceptional Restructuring (continued)

	Year ended 31 December 2001		
	Cost of sales £000	Administrative expenses £000	Total £000
Staff Costs	4,508	3,796	8,304
Asset write down	-	4,689	4,689
Other operating charges	-	2,271	2,271
Effect on profit before tax	4,508	10,756	15,264
Effect on taxation	(1,352)	(3,227)	(4,579)
Effect on earnings	3,156	7,529	10,685

Restructuring and integration costs relate to the rationalisation of the Stafford Miller head office at Welwyn Garden City and its manufacturing operations at Plymouth following acquisition by GlaxoSmithKline plc. The former has now been completed and sold and the closure of its manufacturing operations at Plymouth will take place in 2003.

All of the above exceptional item relate to continuing activities.

8 Net interest receivable/(payable)

	2002 £000	2001 £000
Interest payable		
On bank loans and overdrafts	-	(2)
On loans with group undertakings	-	(692)
	-	(694)
Investment income		
Interest income on bank deposits	**118**	249
	118	(445)

9 Taxation

Taxation charged based on profits for the period	**2002 £000**	2001 £000
Current tax:		
UK corporation tax at 30% (2001: 30%)	**7,399**	2,903
Over provision in respect of prior year	**(391)**	(109)
	7,008	2,794
Deferred taxation	**(667)**	(2,197)
	6,341	597

	2002 £000	2001 £000
Tax on ordinary profits at UK standard tax rate	**6,628**	(4,051)
Expenses not deductible for tax purposes	**104**	1,758
Prior year adjustments to current tax	**(391)**	(109)
Capital allowances in excess of depreciation	**202**	868
Other timing differences	**465**	1,328
Current tax charge for the period	**7,008**	2,794

10 Tangible fixed assets

	Land and buildings £000	Plant, equipment and vehicles £000	Total £000
Cost at 1st January 2002	9,031	10,387	**19,418**
Additions	-	62	**62**
Disposals	(4,537)	(2,281)	**(6,818)**
Cost at 31st December 2002	4,494	8,168	**12,662**
Depreciation at 1st January 2002	(1,842)	(7,544)	**(9,386)**
Provision for the year	(40)	(485)	**(525)**
Disposals	517	1,683	**2,200**
Depreciation at 31st December 2002	(1,365)	(6,346)	**(7,711)**
Impairment at 1st January 2002	(3,689)	(1,000)	**(4,689)**
Disposals	1,488	475	**1,963**
Impairment at 31st December 2002	(2,201)	(525)	**(2,726)**
Net book value at 1st January 2002	3,500	1,843	**5,343**
Net book value at 31st December 2002	928	1,297	**2,225**

The net book value at 31st December 2002 of the Company's land and buildings comprises freehold properties £0.9 million (at 1st January 2002 - £3.5 million).

11 Stocks

	2002 £000	2001 £000
Raw materials and consumables	**1,192**	2,151
Work in progress	**49**	164
Finished goods and goods for resale	**9,011**	7,951
	10,252	10,266

The replacement cost of stocks is not materially different from original cost.

12 Debtors

	2002 £000	2001 £000
Amounts due within one year		
Trade debtors	**13,711**	14,663
Amounts owed by group undertakings	**20,358**	668
Deferred taxation (see note 15)	**1,995**	1,328
Other debtors	**330**	435
Prepayments and accrued income	**635**	177
	37,029	17,271

Stafford-Miller Limited

Notes to the Financial Statements for the Year Ended 31st December 2002

13 Creditors

	2002 £000	2001 £000
Amounts due within one year		
Trade creditors	2,473	3,337
Taxation	10,196	3,188
Other taxes and social security	371	1,152
Other creditors	-	34
Accruals and deferred income	5,985	4,784
	19,025	12,495

14 Provisions for liabilities and charges

	Other provisions £000	Total £000
At 1st January 2002	4,549	4,549
Charge for the year	1,734	1,734
Applied	(2)	(2)
At 31st December 2002	6,281	6,281

Other provisions relate to restructuring and integration costs. The majority are expected to crystallise in 2003.

15 Deferred tax asset

	Accelerated capital allowances £000	Other timing differences £000	Total £000
At 1st January 2002	(251)	1,579	1,328
Charge for the year	202	465	667
At 31st December 2002	(49)	2,044	1,995

16 Called up share capital - equity interests

	2002	2001	2002	2001
	Number of shares	Number of shares	£000	£000
Authorised				
Ordinary Shares of £10 each	92,000	92,000	920	920
Issued and fully paid				
Ordinary Shares of £10 each	91,980	91,980	920	920

17 Reserves - equity interests

	Profit & Loss account £000	Total Reserves £000
At 1st January 2002	15,157	15,157
Profit retained	15,752	15,752
At 31st December 2002	30,909	30,909

18 Reconciliation of movement in shareholders' funds

	2002 £000	2001 £000
Profit for the financial year	15,752	(4,101)
Net addition to shareholders' funds	15,752	(4,101)
Opening shareholders' funds	16,077	20,178
Closing shareholders' funds – equity interests	31,829	16,077

19 Commitments

Capital commitments	2002 £000	2001 £000
Contracted for but not provided in the accounts		
Tangible fixed assets	-	47
	-	47

Commitments under operating leases to pay rentals
For next year

	2002 £000	2001 £000
Operating leases on plant and equipment which expire:		
In one year or less	83	110
Between one and five years	80	202
	163	312

20 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.

21 Employees

Employee costs	2002 £000	2001 £000
Wages and salaries	6,832	7,993
Social security costs	574	659
Pension and other post retirement costs	336	276
	7,742	8,928

The average number of persons employed by the Company (including Directors) during the year	2002	2001
Production and distribution	94	181
Marketing and selling	47	98
Administration	81	26
	222	305

22 Pensions

The Company continues to account for pension arrangements in accordance with SSAP 24 'Accounting for Pension Costs'. Under the transitional provisions of Financial Reporting Standards 17 'Retirement Benefits' certain disclosures are required on the basis of the valuation methodology adopted by FRS 17. For defined benefit schemes the fair values of pension scheme assets at 31st December 2002 are compared with the future pension liabilities calculated under the projected unit method. The disclosures below relate to the Stafford Miller Pension Fund, a defined benefit pension scheme which the Company operates in the UK. The fund holds contributions from employees and the Company in trustee administered funds separated from the company's finances. Employer contributions were paid to the fund at the rate of 10.9% of basic salaries during the year. The fund is closed to new entrants and the cost of benefits accruing, will increase as the membership ages.

The latest actuarial valuation of the Stafford Miller Pension Fund took place on 31 December 2001. The principal assumptions used by the independent qualified actuaries, Hewitt Bacon & Woodrow, in updating the last valuation for FRS 17 purposes were:

	2002 **% pa**	2001 % pa
Rate of increase in salaries	**3.75**	4.00
Rate of increase of pensions in payment	**2.25**	2.50
Discount rate	**5.50**	5.70
Inflation assumption	**2.25**	2.50

The assets in the scheme and the expected rates of return were:

	At 31st December 2002		At 31st December 2001	
	Expected rate of return % pa	**Fair value £000**	Expected rate of return % pa	Fair value £000
Equities	**7.50**	**10,500**	8.00%	12,400
Government Bonds	**4.50**	**5,000**	5.00%	5,300
Others	**4.50**	**100**	0.00%	-
Fair value of assets		**15,600**		17,700
Present value of scheme liabilities		**(30,500)**		(31,000)
Recoverable deficit in the scheme		**(14,900)**		(13,300)
Related deferred tax asset		**4,470**		3,990
Net pension liability		**(10,430)**		(9,310)

	2002 **£000**	2001 £000
Net assets		
Net assets excluding net pension liability	**31,829**	16,077
Net pension liability	**(10,430)**	(9,310)
Net assets including net pension liability	**21,399**	6,767
Reserves		
Profit and loss reserve excluding net pension liability	**30,909**	15,157
Net pension liability	**(10,430)**	(9,310)
Profit and loss reserve including net pension liability	**20,479**	5,847

Stafford-Miller Limited

Notes to the Financial Statements for the Year Ended 31st December 2002

Analysis of amount charged to operating profit

	2002 £000
Current service cost	700
Past Service cost	-
Curtailment/settlement cost	-
Total operating charge	700

Analysis of amount credited to other finance income

	2002 £000
Expected return on pension scheme assets	1,300
Interest on pension scheme liabilities	(1,800)
Net return	(500)

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

	2002 £000
Actual return less expected return on pension scheme assets	(3,400)
Experience gains and losses arising on the scheme liabilities	2,400
Changes in assumptions underlying the present value of the scheme liabilities	(200)
Actuarial gain recognised in the STRGL	(1,200)

Movement in surplus during the year

	2002 £000
Surplus in scheme at beginning of the year	(13,300)
Current service cost	(700)
Contributions	800
Past service costs	-
Curtailment/settlement costs	-
Other finance income	(500)
Actuarial gain	(1,200)
Surplus in scheme at end of the year	(14,900)

History of experience gains and losses

	2002
Difference between the expected and actual return on scheme assets:	
amount (£000)	(3,400)
percentage of scheme assets	22%
Experience gains and losses on scheme liabilities:	
amount (£000)	2,400
percentage of scheme liabilities	8%
Total amount recognised in statement of total recognised gains and losses:	
amount (£000)	(1,200)
percentage of scheme liabilities	4%

23 Directors' Remuneration

As at 1st January 2002 the Directors of the Company, with the exception of the Corporate Directors, were remunerated as executives of the GlaxoSmithKline group by GlaxoSmithKline Services Unlimited and received no remuneration in respect of their services to the Company. Corporate Directors received no remuneration during the year, either as executives of the GlaxoSmithKline group or in respect of their services to the Company (2001 - £nil).

For comparative purposes, Directors' remuneration in 2001 was as follows.

	2002 £000	2001 £000
Salary and fees	-	31

24 Cash flow statement

A cash flow statement has been included in the consolidated financial statements of GlaxoSmithKline 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).

25 Group accounts

The Company is a wholly owned subsidiary of the ultimate parent company and as such has taken advantage of the exemption from preparing group accounts under s.228 of the Companies Act 1985.

26 Ultimate parent undertaking

GlaxoSmithKline 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 the Company, are the consolidated accounts of GlaxoSmithKline plc. Copies of the consolidated accounts can be obtained from The Secretary, GlaxoSmithKline plc, 980 Great West Road, Brentford, Middlesex TW8 9GS. The immediate parent undertaking is Block Drug Company, Inc.

27 Related party transactions

As a wholly owned subsidiary of the ultimate parent company, GlaxoSmithKline plc, 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.