Stafford - Miller Limited
(Registered Number 318499)

Directors' Report and Financial Statements

For the Year Ended 31st December 2001

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 2001

Stafford – Miller Limited

Directors' Report for the Year Ended 31st December 2001

The directors submit their report and the audited financial statements for the year ended 31st December 2001.

Principal activities

The principal activities of the company are the manufacture, distribution and sale of pharmaceutical and toiletry products. The Company operated a branch in Australia which was disposed of during the year.

Review of business

The Company made a loss on ordinary activities after taxation of £4,101,000 (2000 profit - £8,435,000). 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 loss for the year of £4,101,000 will be transferred to reserves (2000 profit - £8,435,000).

Acquisition of the Company by GlaxoSmithKline

The Company's ultimate parent company, Block Drug Company Inc., was acquired by SmithKline Beecham plc, part of the GlaxoSmithKline group, on 16th January 2001 for a total consideration of $1.24 billion.

Results and dividends

The Company's results for the financial year are shown in the profit and loss account on page 8. The Directors propose that no dividend be paid to the holders of Ordinary Shares in respect of the year ended 31st December 2001 (2000 - £Nil).

Branches

The Company operated a branch in Australia. On 1st of May 2001, the business was sold to SmithKline Beecham (Australia) Pty Limited.

Stafford – Miller Limited

Directors' Report for the Year Ended 31st December 2001 (continued)

Directors and their interests

The directors of the Company who served during the year are as follows:

Glaxo Group Limited	(appointed 29/05/01)
Edinburgh Pharmaceutical Industries Limited	(appointed 29/05/01)
Mr J S Rigby	
Mr J A Block	(resigned 16/01/01)
Mr T R Block	(resigned 16/01/01)
Mr A J Devaney	(resigned 31/01/01)
Mr D Langford	(resigned 30/06/01)
Mr R J Lenton	(resigned 31/07/01)
Mr M A Varian	(resigned 31/05/01)
Mr K H B Varian	(resigned 31/05/01)
Mr D R White	(resigned 31/05/01)

Following the acquisition of the Company's ultimate parent company, Block Drug Company Inc., by GlaxoSmithKline on the 16th January 2001, Directors' and Officers' liability insurance was paid for by GlaxoSmithKline plc.

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 interest may arise in the ordinary course of the business.

Save as disclosed, none of the Directors or their families have beneficial interests in the shares of the company or of any other Group company, other than GlaxoSmithKline plc.

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

Director's Interests

	Ordinary Shares	
	31 Dec 2001	31 Dec 2000
J S Rigby	436	427

	Ordinary Share Options			
	31 Dec 2001	**Granted**	**Exercised**	**31 Dec 2000**
J S Rigby	45,000	45,000	-	-

Directors' Report for the Year Ended 31st December 2001 (continued)

Director's Interests (continued)

	Ordinary Performance Share Plan			
	31 Dec 2001	Granted	Exercised	31 Dec 2000
J S Rigby	4,000	4,000	-	--

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.

European Monetary Union

The Company made preparations for the full introduction of the single currency on 1st January 2002 within the 12 countries in Europe directly affected. These preparations have included the conversion of information systems, data and financial processes as well as the training of staff. In the short-term the Company does not expect the costs or benefits from the introduction of the euro to have a material effect on the Company's trading performance.

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 2001 represented 41 days of annual purchases for the Company (2000 – 47 days).

Stafford – Miller Limited

Directors' Report for the Year Ended 31st December 2001 (continued)

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

PricewaterhouseCoopers are willing to continue in office as auditors and resolutions dealing with their re-appointment and remuneration will be proposed at the Company's Annual General Meeting.

By order of the Board

Leo Nuttall

For and on behalf of Edinburgh Pharmaceutical Industries Limited - Director

31 January 2003

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, the statement of total recognised gains and losses 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 in to 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 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Uxbridge
31 January 2003

Stafford – Miller Limited

Profit and Loss Account
For the Year Ended 31st December 2001

	Note	2001 £000	2000 £000
Turnover	3		
Continuing operations		**75,216**	93,815
Discontinued operations		**4,259**	11,999
		79,475	105,814
Cost of sales			
Continuing operations			
- ordinary		**(25,299)**	(36,090)
- exceptional restructuring		**(4,508)**	-
		(29,807)	(36,090)
Discontinued operations		**(1,847)**	(4,542)
		(31,654)	(40,632)
Gross Profit			
Continuing operations		**45,409**	57,725
Discontinued operations		**2,412**	7,457
		47,821	65,182
Operating expenditure	4		
Selling and distribution costs		**(29,890)**	(41,541)
Administrative expenses			
- ordinary		**(5,299)**	(7,927)
- exceptional restructuring	5	**(10,756)**	-
		(16,055)	(7,927)
Other operating income		**56**	724
Other operating costs		**(5,836)**	(2,753)
		(51,725)	(51,497)
Operating (loss)/profit	5		
Continuing operations		**(5,164)**	12,292
Discontinued operations		**1,260**	1,393
		(3,904)	13,685
Profit on disposal of branch operations	6		
Discontinued operations		**845**	-
(Loss)/profit on ordinary activities before interest and taxation		**(3,059)**	13,685
Net interest payable	7	**(445)**	(1,276)
(Loss)/profit on ordinary activities before taxation		**(3,504)**	12,409
Tax on (loss)/profit on ordinary activities	8	**(597)**	(3,974)
(Loss)/profit on ordinary activities after taxation		**(4,101)**	8,435
(Loss)/retained profit for the financial year		**(4,101)**	8,435

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

The notes on pages 11 to 22 form part of these financial statements.

Statement of Total Recognised Gains and Losses

The Company had no recognised gains or losses during the year other than those reflected in the above profit and loss account, and therefore no separate statement of total recognised gains and losses has been presented.

Movement on reserves

	2001	2000
	£000	£000
Retained profit at 1 January	**19,258**	10,868
Exchange movement	**-**	(45)
(Loss)/profit retained for the financial year	**(4,101)**	8,435
Retained profits at 31 December	**15,157**	19,258

The notes on pages 11 to 22 form part of these financial statements.

Stafford – Miller Limited

Balance Sheet
As at 31st December 2001

	Notes	2001 £000	2000 £000
Fixed assets			
Intangible assets	9	-	3,491
Tangible assets	10	**5,343**	10,910
Investments	11	-	300
		5,343	14,701
Current assets			
Stocks	12	**10,266**	11,627
Debtors	13	**16,603**	21,025
Cash at bank		**241**	9,244
		27,110	41,896
Creditors: amounts due within one year	14	**(11,827)**	(35,416)
Net current assets		**15,283**	6,480
Total assets less current liabilities		**20,626**	21,181
Creditors: amounts due after one year	14	-	(92)
Provisions for liabilities and charges	16	**(4,549)**	(911)
Net assets		**16,077**	20,178
Called up share capital	18	**920**	920
Profit and loss account		**15,157**	19,258
Equity shareholders' funds	19	**16,077**	20,178

The notes on pages 11 to 22 form part of these financial statements.

The accounts on pages 8 to 22 were approved by the Board of Directors on 31 January 2003 and were signed by:

Leo Nuttall

Leo Nuttall

For and on behalf of Edinburgh Pharmaceutical Industries Limited - Director

Stafford – Miller Limited

Notes to the Financial Statements for the Year Ended 31st December 2001

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 recorded at the exchange rate ruling on the date of the transaction, and foreign currency assets and liabilities are translated into sterling at rates of exchange ruling at the balance sheet date. Exchange differences are included in operating 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 goods invoiced during the period, less trade discounts and excludes value-added tax.

(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. 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) Pensions and post-retirement benefits

The cost of providing pension and other employee post-retirement benefits is charged to the profit and loss account on a systematic and rational basis, based on actuarial assumptions, over the period during which benefit is derived from employees' services. Any difference between this charge and the contributions paid to the retirement plans (where they exist) is included as an asset or liability in the balance sheet.

(f) Goodwill

Goodwill is stated at cost less a provision for amortisation. Amortisation is calculated to write off the cost in equal annual instalments over its expected useful life. The normal expected useful life is not expected to exceed 20 years.

(g) 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:

(g) Tangible fixed assets and depreciation (continued)

Leasehold land and buildings	The shorter of lease term and 50 years
Freehold buildings	20 to 50 years
Plant and machinery	10 to 20 years
Fixtures and equipment	3 to 10 years
Computer software	3 to 7 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.

The carrying values of tangible fixed assets are subject to review and any impairments are charged to the profit and loss account.

(h) Fixed asset investments

Fixed asset investments are stated in the balance sheet at cost less any provision made for impairment.

(i) 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. Certain intangibles are considered to have an indefinite life and are therefore not amortised. Such intangibles are subject to annual impairment tests. 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.

(j) Stocks

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

(k) Leases

Leasing agreements which transfer to the Company substantially all the benefits and risks of ownership of an asset are treated as finance leases, as if the asset had been purchased outright. The assets are included in tangible fixed assets and the capital element of the leasing commitment is shown as obligations under finance leases. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of the assets. The interest element of the lease rental is charged against profit.

All other leases are operating leases and the annual rentals are charged against profit on a straight-line basis over the lease term.

(l) Deferred taxation

Deferred taxation is calculated using the liability method. Taxation deferred or accelerated by reason of material timing differences is accounted for to the extent that it is probable that liabilities or assets will crystallise.

2. New accounting policies and requirements

The Company has implemented Financial Reporting Standard 18: 'Accounting policies' and the disclosure requirements of Financial Reporting Standard 17: 'Retirement benefits'. FRS 18 updates an existing standard and provides new guidance. It has not had a significant effect on measurement of the results and assets and liabilities of the Company. FRS 17 adopts a market value approach to the measurement of retirement benefits and requires expanded disclosures. The disclosure requirements have been implemented by the Company in 2001. The Standard does not require implementation of the change in measurement approach until 2003.

FRS 19: 'Deferred tax' falls to be implemented by the Company in 2002. The FRS requires deferred tax to be accounted for on a full provision basis, rather than a partial provision basis. There would be no impact of implementing FRS 19 for the current period.

3. Segmental information

The analysis of turnover by business sector are:-

	Turnover	
	2001	2000
	£000	£000
Business sector :		
Dental	**57,576**	78,766
Consumer Healthcare	**21,874**	13,480
Pharmaceuticals	**25**	13,388
Household Products	**-**	180
	79,475	105,814

The analysis of external turnover by location of customer:-

	Turnover	
	2001	2000
	£000	£000
United Kingdom	**59,692**	58,760
Rest of Europe	**5,595**	21,365
Africa and Middle East	**9,859**	12,280
Australia and Asia	**4,301**	11,999
Other	**28**	1,410
	79,475	105,814

Stafford – Miller Limited

Notes to the Financial Statements for the Year Ended 31st December 2001

4. Operating expenditure

	12 months ended 31 December 2001 £000		
	Discontinued	**Continuing**	**Total**
Selling and distribution costs	**955**	**28,935**	**29,890**
Administrative expenses			
ordinary	**181**	**5,118**	**5,299**
exceptional restructuring (see note 5)	**-**	**10,756**	**10,756**
Other operating income	-	**(56)**	**(56)**
Other operating costs	**16**	**5,820**	**5,836**
	1,152	**50,573**	**51,725**

	12 months ended 31 December 2000 £000		
	Discontinued	Continuing	Total
Selling and distribution costs	4,923	36,618	41,541
Administrative expenses - ordinary	627	7,300	7,927
Other operating income	(193)	(531)	(724)
Other operating costs	707	2,046	2,753
	6,064	45,433	51,497

5. Operating (loss)/profit

Operating (loss)/profit is stated after charging:

	12 months ended 31 December 2001 £000		
	Discontinued	**Continuing**	**Total**
(Profit)/loss on disposals of tangible fixed assets	**-**	**(9)**	**(9)**
Exchange losses/(gains) on foreign currency	**(178)**	**5**	**(173)**
Auditor's remuneration			
- Audit services	-	**3**	**3**
- Non audit services	**9**	**1**	**10**
Depreciation			
- Tangible owned fixed assets	**27**	**854**	**881**
- Tangible fixed assets held under finance leases	-	**-**	**-**
Amortisation of intangible fixed assets	-	**-**	**-**
Operating lease rentals			
- Plant and equipment	-	-	-
- Other assets	-	**78**	**78**
Write off of intangible fixed assets	-	**3,491**	**3,491**
Write off of investments	-	**300**	**300**
Restructuring and integration costs:			
Staff costs - manufacturing	-	**4,508**	**4,508**
Staff costs - administrative		**3,796**	**3,796**
Asset write down	-	**4,689**	**4,689**
Other operating charges	-	**2,271**	**2,271**

5. Operating (loss)/profit (continued)

	12 months ended 31 December 2000 £000		
	Discontinued	Continuing	Total
(Profit)/loss on disposals of tangible fixed assets	6	14	20
Exchange losses/(gains) on foreign currency	185	(49)	136
Auditor's remuneration			
- Audit services	11	64	75
- Non audit services	22	62	84
Depreciation			
- Tangible owned fixed assets	62	1,241	1,303
- Tangible fixed assets held under finance	57	-	57
Amortisation of intangible fixed assets	-	205	205
Operating lease rentals			
- Plant and equipment	-	187	187
- Other assets	-	1,246	1,246

Restructuring and integration costs relate to the acquisition of Block Drug Company Inc., by SmithKline Beecham plc, part of the GlaxoSmithKline group, on the 16th January 2001. These costs have been provided to cater for the closure of its Head Office at Welwyn Garden City and its warehouse and manufacturing plant based in Plymouth. The manufacturing plant will be relocated and integrated with the existing Maidenhead factory in 2003.

6. Profit on disposal of branch operations – Discontinued operations

On 1 May 2001, Stafford - Miller Limited sold its wholly owned Australian branch to SmithKline Beecham (Australia) Pty Limited. Proceeds totalled £182,000.

Net liabilities disposed and profit on disposal are summarised as follows:

	2001 £000	2000 £000
Fixed assets	**154**	-
Capitalised restructuring costs	**277**	-
Stocks	**674**	-
Other assets	**60**	-
Cash	**1,082**	-
Creditors: amounts due within one year	**(249)**	-
Provisions for liabilities and charges	**(560)**	-
Creditors: amounts due after one year	**(2,101)**	-
Net liabilities disposed	**(663)**	
Total cash proceeds	**182**	
Profit on disposal	**845**	-

Stafford – Miller Limited

Notes to the Financial Statements for the Year Ended 31st December 2001

7. Net interest payable

	2001	2000
	£000	£000
Interest payable and similar charges		
On bank loans and overdrafts	**2**	168
On loans with group undertakings	**692**	1,293
In respect of finance leases	-	13
	694	1,474
Interest receivable and similar income		
Interest income on bank deposits	**(249)**	(198)
	445	1,276

8. Tax

	2001	2000
	£000	£000
Taxation charge based on profits for the period		
UK corporation tax at 30% (2000: 30%)	**2,903**	3,826
Deferred taxation	**(2,197)**	234
Over provision in respect of prior year	**(109)**	(86)
	597	3,974

9. Intangible fixed assets

	Goodwill
	£000
Cost at 1st January 2001	5,050
Assets written off	(5,050)
Cost at 31st December 2001	-
Amortisation at 1st January 2001	1,559
Assets written off	(1,559)
Amortisation at 31st December 2001	-
Net book value at 1st January 2001	3,491
Net book value at 31st December 2001	-

Goodwill arises on the acquisition of the Setlers brand and has been written off following acquisition of the company by GlaxoSmithKline plc.

Stafford – Miller Limited

Notes to the Financial Statements for the Year Ended 31st December 2001

10. Tangible fixed assets

	Land and buildings £000	Plant, equipment and vehicles £000	Furniture and office equipment £000	Total £000
Cost at 1st January 2001	8,829	7,974	2,644	19,447
Exchange rate adjustment	-	(47)	-	(47)
Additions	202	279	41	522
Disposals	-	(325)	(179)	(504)
Cost at 31st December 2001	9,031	7,881	2,506	19,418
Depreciation at 1st January 2001	1,762	5,082	1,693	8,537
Exchange rate adjustment	-	(25)	-	(25)
Provision for the year	80	724	77	881
Disposals	-	(7)	-	(7)
Impairment	3,689	471	529	4,689
Depreciation at 31st December 2001	5,531	6,245	2,299	14,075
Net book value at 1st January 2001	7,067	2,892	951	10,910
Net book value at 31st December 2001	3,500	1,636	207	5,343

The net book value at 31st December 2001 of the Company's land and buildings comprises freehold properties £3.5 million (at 1st January 2001 - £7.07 million)

Included in plant, equipment and vehicles at 31st December 2001 are leased assets with a net book value of £Nil (at 1st January 2001 - £227,000).

11. Investments held as fixed assets

	Total £000
At 1st January 2001	300
Write down	(300)
At 31st December 2001	-

Investment represents 25% of the ordinary shares in an internet company, Dentsure Limited which were written down to nil value during the year.

12. Stocks

	2001 £000	2000 £000
Raw materials and consumables	**2,151**	1,678
Work in progress	**164**	234
Finished goods and goods for resale	**7,951**	9,715
	10,266	11,627

13. Debtors

	2001 £000	2000 £000
Amounts due within one year		
Trade debtors	**14,663**	19,563
Amounts owed by group undertakings	**-**	777
Deferred taxation (see note 17)	**1,328**	-
Other debtors	**435**	508
Prepayments and accrued income	**177**	177
	16,603	21,025

14. Creditors

	2001 £000	2000 £000
Amounts due within one year		
Bank overdrafts and short term loans	**-**	1,116
Trade creditors	**3,337**	5,732
Obligations under finance leases	**-**	73
Amounts owed to group undertakings	**(668)**	22,301
Taxation	**3,188**	2,929
Other taxes and social security	**1,152**	152
Other creditors	**4,784**	3,009
Accruals and deferred income	**34**	104
	11,827	35,416
Amounts due after one year		
Obligations under finance leases	-	92
	-	92

15. Lease Commitments

Future minimum payment under finance leases are as follows:

Finance lease obligations	2001 £000	2000 £000
Rental payments due within one year	**-**	85
Rental payments due within two to five years	-	73
Rental payments due after more than five years	-	25
Total future rental payments	**-**	183
Less: Future finance charges	-	(18)
Total finance lease obligations	**-**	165

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Notes to the Financial Statements for the Year Ended 31st December 2001

16. Provisions for liabilities and charges

	Deferred taxation £000	Other provisions £000	**Total £000**
At 1st January 2001	869	42	**911**
Charge for the year	(2,197)	8,980	**6,783**
Applied		(4,473)	**(4,473)**
Transferred to debtors	1,328	-	**1,328**
At 31st December 2001	-	4,549	**4,549**

Other provisions relate to restructuring and integration costs. The majority are expected to be utilised in 2002, although some are expected to be utilised in 2003.

17. Deferred taxation

	Provided		Unprovided	
	2001 £000	2000 £000	**2001 £000**	2000 £000
Accelerated capital allowances	**251**	1,119	-	-
Other timing differences	**(1,579)**	(250)	-	-
	(1,328)	869	-	-

18. Called up share capital – equity interests

	2001 Number Of shares	2000 Number of shares	**2001 £000**	2000 £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**	91,980

19. Reconciliation of movement in shareholders' funds

	2001 £000	2000 £000
(Loss)/profit for the financial year	**(4,101)**	8,435
Other net recognised gains retained in the financial year	-	(45)
Net addition to shareholders' funds	**(4,101)**	8,390
Opening shareholders' funds	**20,178**	11,788
Closing shareholders' funds – equity interests	**16,077**	20,178

Stafford – Miller Limited

Notes to the Financial Statements for the Year Ended 31st December 2001

20. Commitments

Capital commitments	**2001 £000**	2000 £000
Contracted for but not provided in the accounts	**47**	259

Annual commitments under operating leases as follows:		**2001**		2000
	£000	**£000**	£000	£000
	Land & Buildings	**Other**	Land & Buildings	Other
Operating leases which expire:				
Within one year	-	-	84	63
Between two and five years	-	-	3	426
Over five years	-	-	-	-
	-	-	87	489

The operating leases have been terminated on sale of the Australian branch.

21. Employees

Employee costs	**2001 £000**	2000 £000
Wages and salaries	**3,875**	10,682
Social security costs	**276**	977
Pension and other post retirement costs	**281**	985
	4,432	12,644

The average number of persons employed by the Company (including Directors) during the year	**2001**	2000
Production and distribution	**181**	191
Marketing and selling	**98**	192
Administration	**26**	52
	305	435

22. Pensions

The company operates a funded defined benefit pension scheme in the United Kingdom. The fund holds contributions from employees and the company in trustee administered funds separated from the company's finances. The fund is a final salary arrangement.

FRS17 Disclosures

The company continues to account for pension arrangements in accordance with SSAP 24 "Accounting for pension costs". Under the transitional provisions of FRS 17 "Retirement Benefits" certain disclosures are required on the basis of the valuation methodology adopted by FRS 17.

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Notes to the Financial Statements for the Year Ended 31st December 2001

22. Pensions (continued)

A funding review of the Company Pension Fund was carried out as at 31st December 2000. It has been updated to 31st December 2001 by qualified independent actuaries, Hewitt Bacon & Woodrow. Employer contributions were paid to the fund at the rate of 10.9% of basic salaries during the year together with additional contributions of £0.4million to fund increases to the benefits of some members who left during the year.

The major assumptions used by the actuary were (in nominal terms):

	2001
	% pa
Rate of increase in salaries	**4.0**
Rate of increase of pensions in payment	**2.5**
Discount rate	**5.7**
Inflation assumption	**2.5**

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

	Return expected at year end 31st December 2001	**Value at year end at 31st December 2001 £000**
Equities	**8.0%**	**12,400**
Government Bonds	**5.0%**	**5,300**
Total market value of assets		**17,700**
Actuarial value of liability		**(31,000)**
Recoverable deficit in the scheme		**(13,300)**
Related deferred tax asset		**3,990**
Net pension liability		**(9,310)**

	2001 £000
Net assets	
Net assets excluding net pension liability	**13,895**
Net pension liability	**(9,310)**
Net assets including net pension liability	**4,585**
Reserves	
Profit and loss reserve excluding net pension liability	**12,975**
Net pension liability	**(9,310)**
Profit and loss reserve including net pension liability	**3,665**

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Notes to the Financial Statements for the Year Ended 31st December 2001

23. Directors' Remuneration

	2001 **£000**	2000 £000
Salary and fees	**31**	589
Benefits and other emoluments	-	236
Bonus	-	113
Total	**31**	938

Fees and other emoluments paid to the highest director

	2001 **£000**	2000 £000
Aggregate emoluments	-	370
Defined benefit pension scheme		
- accrued pension at end of year	-	114
Total	-	484

The Corporate Directors of the Company received no remuneration in respect of their services to the Company (2000 £0).

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.

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.