Stafford-Miller Limited
(Registered Number 318499)

Directors' Report and Financial Statements

For the Year Ended 31st December 2003

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 2003

Stafford-Miller 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 principal activities of the Company during the year were the manufacture, distribution and sale of pharmaceutical and toiletry products. On 31st December 2003 the company transferred its trading activities and certain assets to other UK group companies.

Review of business

The Company made a profit on ordinary activities after taxation of £112,759,000 (2002 Profit £15,752,000). The Directors are of the opinion that the current level of activity, and the year end financial position is satisfactory.

The retained profit for the year of £112,759,000 will be transferred to reserves (2002 Profit £15,752,000).

On 31st December 2003 the company transferred its trading activities and certain assets to other UK group companies.

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 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
Mr J S Rigby (resigned 31st 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 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.

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 2003 represented 0.5 days (2002 40 days) of annual purchases for the Company.

Stafford-Miller 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

PricewaterhouseCoopers LLP 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

L A Nuttall
For and on behalf of Edinburgh Pharmaceutical Industries Limited
Corporate Director

Date: 26 March 2004

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 2003 and of its profit 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
26 March 2004

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Stafford-Miller Limited

Profit and Loss Account
For the Year Ended 31st December 2003

	Notes	2003 £000	2002 £000
Turnover	2	**112,260**	77,779
	2	**112,260**	77,779
Cost of sales			
- ordinary		**(50,990)**	(21,526)
- exceptional restructuring	6	**-**	(1,197)
		(50,990)	(22,723)
Gross profit		**61,270**	55,056
Selling and distribution costs		**(25,312)**	(27,187)
Administrative expenses			
- ordinary		**(1,808)**	(1,977)
- exceptional restructuring	6	**(1,502)**	(2,632)
		(3,310)	(4,609)
Other operating income	3	**4,025**	(419)
Operating profit	4	**36,673**	22,841
Profit on Sale of Trade and Assets	5	**86,102**	-
Loss on disposal of fixed assets	5	**-**	(866)
Profit on ordinary activities before interest and taxation		**122,775**	21,975
Net interest receivable	7	**1,576**	118
Profit on ordinary activities before taxation		**124,351**	22,093
Tax on profit on ordinary activities	8	**(11,592)**	(6,341)
Profit on ordinary activities after taxation		**112,759**	15,752
Retained profit for the financial year	16	**112,759**	15,752

All results have been derived from discontinued operations. The company transferred its trading activities and certain assets to other UK group companies.

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 6 to 13 form part of these financial statements

Stafford-Miller Limited

Balance Sheet
As at 31st December 2003

	Notes	2003 £000	2002 £000
Fixed Assets			
Tangible assets	9	**882**	2,225
Current assets			
Stock	10	**-**	10,252
Debtors	11	**44,838**	37,029
Cash at bank		**116,776**	7,629
		161,614	54,910
Creditors: amounts due within one year	12	**(13,514)**	(19,025)
Net current assets		**148,100**	35,885
Total assets less current liabilities		**148,982**	38,110
Provisions for liabilities and charges	13	**(714)**	(6,281)
Net assets		**148,268**	31,829
Capital and reserves			
Called up share capital	15	**4,600**	920
Profit and loss account	16	**143,668**	30,909
Equity shareholders' funds	17	**148,268**	31,829

The accounts on pages 4 to 13 were approved by the Board of Directors on 26 March 2004 and were signed on its behalf by:

L A Nuttall
For and on behalf of Edinburgh Pharmaceutical Industries Limited – Director

The notes on pages 6 to 13 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.

(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 Segmental information

The analysis of turnover by business sector are:

	Turnover	
	2003	2002
	£000	£000
Business sector:		
Dental	**90,973**	53,636
Consumer Healthcare	**21,287**	24,143
	112,260	77,779

The analysis of external turnover by location of customer:

	2003	2002
	£000	£000
United Kingdom	**62,754**	64,170
Rest of Europe	**33,903**	1,272
Africa and Middle East	**9,791**	12,148
Australia and Asia	**2,787**	-
Other	**3,025**	189
	112,260	77,779

3 Other operating income/(expense)

	2003 £000	2002 £000
Other income from group undertakings	**4,270**	121
Other operating expenses	**(245)**	(540)
	4,025	(419)

Other operating expenses comprise non-recurring costs related to EGOL charges and disposal of fixed assets. Other operating income arises from amounts recharged to other GlaxoSmithKline group companies.

4 Operating profit

	2003 £000	2002 £000
The following items have been charged in operating profit/(loss)		
Depreciation of tangible fixed assets:		
Owned assets	219	525
Exchange losses/(gains) on foreign currency transactions	389	422
Operating lease rentals:		
Other assets	-	202

The auditors' remuneration has been borne by GlaxoSmithKline Group for 2003.

5 Profit on Sale of Trade and Assets

On 31st December 2003 the company transferred its trading activities and assets to other UK group companies.

	Year ended 31st December 2003 £000
Profit on Sale of Trade and Assets	**86,102**

	Year ended 31st December 2002 £000
Loss on disposal of fixed assets	(866)

There is no tax effect on the profit on sale of trade and assets as this was a transfer between UK group companies (2002 - a capital loss arose on the disposal of fixed assets).

Stafford-Miller Limited

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

6 Exceptional Restructuring

	Year ended 31st December 2003	
	Administrative expenses £000	**Total £000**
Staff Costs	85	85
Asset write down	1,073	1,073
Packaging redesign	56	56
Legal and professional fees	74	74
Other operating charges	214	214
Effect on profit before tax	1,502	1,502
Effect on taxation	(451)	(451)
Effect on earnings	1,051	1,051

	Year ended 31st December 2002		
	Cost of sales £000	Administrative expenses £000	Total £000
Staff Costs	436	672	1,108
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

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 took place in 2003.

7 Net interest receivable

	2003 £000	2002 £000
Investment income		
Interest income on bank deposits	287	118
On loans with group undertakings	1,289	-
	1,576	118

8 Taxation

Taxation charged based on profits for the period	2003 £000	2002 £000
Current tax:		
UK corporation tax at 30% (2002: 30%)	**9,843**	7,399
Over provision in respect of prior year	**175**	(391)
	10,018	7,008
Deferred taxation	**1,574**	(667)
	11,592	6,341

	2003 £000	2002 £000
Tax on ordinary profits at UK standard tax rate	**37,341**	6,628
Expenses not deductible for tax purposes	**45**	104
Income not taxable	**(25,861)**	-
Prior year adjustments to current tax	**175**	(391)
Capital allowances in excess of depreciation	**(13)**	202
Other timing differences	**(1,669)**	465
Current tax charge for the period	**10,018**	7,008

The income not taxable relates to the profit on sale of trade and assets.

9 Tangible fixed assets

	Land and buildings £000	Plant, equipment and vehicles £000	Total £000
Cost at 1st January 2003	2,294	7,642	**9,936**
Additions	-	17	**17**
Disposals	-	(7,659)	**(7,659)**
Cost at 31st December 2003	2,294	-	**2,294**
Depreciation at 1st January 2003	(1,366)	(6,345)	**(7,711)**
Provision for the year	(57)	(162)	**(219)**
Disposals	-	6,507	**6,507**
Depreciation at 31st December 2003	(1,423)	-	**(1,423)**
Impairment loss	11	-	**11**
Impairment at 31st December 2003	11	-	**11**
Net book value at 1st January 2003	928	1,297	**2,225**
Net book value at 31st December 2003	882	-	**882**

The net book value at 31st December 2003 of the Company's land and buildings comprises freehold properties £0.8 million (at 1st January 2003 - £0.9 million).

10 Stocks

	2003 £000	2002 £000
Raw materials and consumables	-	1,192
Work in progress	-	49
Finished goods and goods for resale	-	9,011
	-	10,252

11 Debtors

	2003 £000	2002 £000
Amounts due within one year		
Trade debtors	-	13,711
Amounts owed by group undertakings	44,388	20,358
Deferred taxation (see note 16)	420	1,995
Other debtors	-	330
Prepayments and accrued income	30	635
	44,838	37,029

12 Creditors

	2003 £000	2002 £000
Amounts due within one year		
Trade creditors	7	2,473
Amounts owed to group undertakings	3,650	-
Taxation	9,857	10,196
Other taxes and social security	-	371
Accruals and deferred income	-	5,985
	13,514	19,025

13 Provisions for liabilities and charges

	Other provisions £000	Total £000
At 1st January 2003	6,281	6,281
Applied	(5,567)	(5,567)
At 31st December 2003	714	714

Other provisions relate to restructuring and integration costs and are to be used in 2004.

14 Deferred tax asset

	Accelerated capital allowances £000	Other timing differences £000	Total £000
At 1st January 2003	(49)	2,043	1,994
Charge for the year	96	(1,670)	(1,574)
At 31st December 2003	47	373	420

Stafford-Miller Limited

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

15 Called up share capital - equity interests

	2003	2002	2003	2002
	Number of shares	Number of shares	£000	£000
Authorised				
Ordinary Shares of £10 each	92,000	92,000	920	920
Preference Shares of £10 each	368,000	-	3,680	-
Issued and fully paid				
Ordinary Shares of £10 each	91,980	91,980	920	920
Preference Shares of £10 each	368,000	-	3,680	-

On 15th December 2003 the Authorised Share Capital of the Company was increased to £4.6m by the creation of 368,000 non-cumulative non-redeemable preference shares of £10.00 per share. On 15th December 2003 368,000 preference shares were issued for cash. The nominal value of these shares was £3.68m and the consideration received was £3.68m. These Preference shares have no voting rights and in the event of a return of capital the Preference Share holders are entitled to receive the last accrued but unpaid dividend and the return of the subscription price in priority over any other class of shares.

16 Reserves - equity interests

	Profit & Loss account £000	Total Reserves £000
At 1st January 2003	30,909	30,909
Profit retained	112,759	112,759
At 31st December 2003	143,668	143,668

17 Reconciliation of movement in shareholders' funds

	2003 £000	2002 £000
Profit for the financial year	112,759	15,752
Net addition to shareholders' funds	112,759	15,752
Share Capital movement	3,680	-
Opening shareholders' funds	31,829	16,077
Closing shareholders' funds – equity interests	148,268	31,829

18 Employees

Employee costs	2003 £000	2002 £000
Wages and salaries	**1,594**	6,832
Social security costs	**123**	574
Pension and other post retirement costs	**254**	336
	1,971	7,742

The average number of persons employed by the Company (including Directors) during the year	2003	2002
Production and distribution	**22**	94
Marketing and selling	**114**	47
Administration	**14**	81
	150	222

19 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).

20 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.

21 Ultimate parent undertaking

GlaxoSmithKline plc 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 International, Inc.

22 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.