

**Saxet (UK) Limited**  
**(Registered Number: 1134318)**

**Directors' Report and Accounts**

**31 December 1997**



## **Saxet (UK) Limited**

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## **Saxet (UK) Limited**

### **Report of the Directors for the Year Ended 31 December 1997**

**Registered Office**      Four New Horizons Court  
Harlequin Avenue  
Brentford  
Middlesex  
TW8 9EP  
England

The Directors submit their annual report together with the audited accounts for the year ended 31 December 1997.

#### **Principal Activities**

During the year the principal activity of the Company and its subsidiary undertakings was the supply of "over the counter" consumer healthcare products.

#### **Review of the Business and Future Developments**

The Directors consider the state of affairs to be satisfactory and the Directors believe that the Company will continue to perform satisfactorily for the foreseeable future.

#### **Results and Dividends**

The profit and loss account is shown on page 6. The Directors do not recommend the payment of a dividend (1996 - £Nil) and accordingly the profit after tax for the year of £5,345,000 (1996 - £3,223,000) has been transferred to reserves.

#### **Fixed Assets**

Movements in tangible fixed assets are detailed in Note 7.

#### **Policy on payment of creditors**

The Company agrees terms and conditions for its business transactions with suppliers, which are mainly companies within the SmithKline Beecham group. Payment is then made to these terms, subject to the terms and conditions being met by the supplier. Trade creditors at 31 December 1997 represented 115 days of annual purchases (1996: 107 days).

#### **Year 2000**

The Company is a wholly owned subsidiary of SmithKline Beecham plc. The plans of SmithKline Beecham Group addressing issues relating to Year 2000 compliance of business critical systems are set out in full in the Financial Review of the Annual Report and Accounts of SmithKline Beecham plc, which is available as disclosed in Note 15.

## **Saxet (UK) Limited**

### **Report of the Directors for the Year Ended 31 December 1997**

#### **Directors**

The following were directors of the Company during the year:

R M Bondy  
J P G Grumitt (resigned 8 April 1998)  
D C Osborn

C J Andrews was appointed as a director on 8 April 1998.

Directors' and officers' liability insurance, paid by SmithKline Beecham plc, was in place during the period.

None of the Directors has a beneficial interest in the shares of the Company, or any other group company, other than SmithKline Beecham plc.

The following beneficial interests of the Directors in office at the year end in the shares of the ultimate parent undertaking, SmithKline Beecham plc, have been notified to the Company:

	<b>Ordinary Shares at 31 December</b>	
	<b>1997</b>	<b>1996</b>
R M Bondy	1,542	592
J P G Grumitt	4,656	3,840
D C Osborn	10,080	9,136

	<b>31 December</b>	<b>Granted</b>	<b>Options over Ordinary Shares</b>	
	<b>1997</b>		<b>Exercised/ lapsed</b>	<b>31 December</b>
R M Bondy	60,006	23,100	-	36,906
J P G Grumitt	32,178	8,800	-	23,378
D C Osborn	44,800	11,000	10,000	43,800

The options for the purchase of shares are exercisable at a variety of prices. Details of option prices are disclosed in the group accounts of SmithKline Beecham plc. Market prices of shares during and at the end of the period are also disclosed in those group accounts.

#### Share Split - August 1997

On 20 August 1997 SmithKline Beecham plc announced it had obtained the approval of its Ordinary Shareholders to split SmithKline Beecham plc's Ordinary Shares into two.

Therefore, with effect from 26 August 1997, each of SmithKline Beecham plc's Ordinary Shares of 12.5p, both issued and unissued, was subdivided into two Ordinary Shares of 6.25p each. The Directors' interests have therefore been restated for 1996 and all transactions in 1997 are recorded in 6.25p shares.

## **Saxet (UK) Limited**

### **Report of the Directors for the Year Ended 31 December 1997**

#### **Directors (continued)**

##### Mid-Term Incentive Plan

In June and November 1996 and October 1997, the Directors acquired interests in shares as follows under the SmithKline Beecham Mid-Term Incentive Plan. These interests are conditional and will in general vest in whole or in part only to the extent that the Company meets certain performance conditions. They have been acquired on a nil price basis and will vest, conditional on performance after 1 January 1999, 1 January 2000 and 1 January 2001 respectively.

	1997	Ordinary Shares at 31 December Granted	1996
R M Bondy	8,400	8,400	-
J P G Grumitt	-	-	-
D C Osborn	-	-	-

Full details of the SmithKline Beecham Executive Share Option Plans are disclosed in the accounts of SmithKline Beecham plc.

#### **Directors' Responsibilities**

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. 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 accounts; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and 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 fraud and other irregularities.

## **Saxet (UK) Limited**


### **Report of the Directors for the Year Ended 31 December 1997**

#### **Auditors**

The Company has adopted the elective resolution permitting it to dispense with the requirement to re-appoint auditors annually. Accordingly, the auditors shall be deemed to have been re-appointed annually until such time as notice proposing their removal is received.

Following the merger of Price Waterhouse and Coopers & Lybrand, the Directors intend that in due course the new firm, PricewaterhouseCoopers, will replace Price Waterhouse as auditors.

On behalf of the Board

Director  
**D OSBORN**  
Date  28/10/1998

## **Auditors' Report to the Members of Saxet (UK) Limited**

We have audited the financial statements on pages 6 to 15 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

### **Respective responsibilities of Directors and Auditors**

As described on page 3, the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### **Basis of opinion**

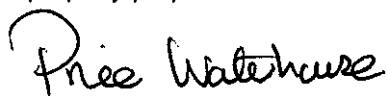
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board.

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 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 as at 31 December 1997 and of the profit of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PRICE WATERHOUSE  
Chartered Accountants  
and Registered Auditors  
Southwark Towers  
32 London Bridge Street  
London SE1 9SY

28 October

1998

**Saxet (UK) Limited****Profit and Loss Account  
For the Year Ended 31 December 1997**

	Note	1997 £'000	Year ended 1996 £'000
Turnover	1	48,898	51,702
Cost of sales		(28,248)	(28,662)
<b>Gross Profit</b>		20,650	23,040
Distribution costs		(2,925)	(1,578)
Marketing expenses		(8,119)	(6,523)
Administrative expenses:			
- before exceptional item		(2,139)	(9,762)
- exceptional items	2	2,154	300
- including exceptional items		15	(9,462)
<b>Operating Profit</b>	2	9,621	5,477
Interest receivable	5	62	744
Interest payable	5	(777)	(748)
<b>Profit on ordinary activities before taxation</b>		8,906	5,473
Tax on profit on ordinary activities	6	(3,561)	(2,250)
<b>Profit for the financial year</b>		5,345	3,223

All activity arises from continuing operations.

The Company has no recognised gains and losses other than those passing through the profit and loss account for the year.

The accounting policies on pages 8 and 9 and the notes on pages 10 to 15 form part of these accounts.




# Saxet (UK) Limited

## Balance Sheet as at 31 December 1997

	Note	At 31 December	
		1997 £'000	1996 £'000
<b>Fixed Assets</b>			
Tangible assets	7	170	208
Investments in subsidiary undertakings	8	5,623	5,623
		5,793	5,831
<b>Current Assets</b>			
Stocks	9	4,491	4,510
Debtors	10	48,407	24,986
Cash at bank and in hand		946	9,528
		53,844	39,024
<b>Creditors: amounts falling due within one year</b>	11	(51,009)	(41,572)
<b>Net current assets/(liabilities)</b>		2,835	(2,548)
<b>Total assets less current liabilities</b>		8,628	3,283
<b>Capital and Reserves</b>			
Called up share capital	12	51	51
Profit and loss account	13	8,577	3,232
<b>Total shareholders' funds - equity interests</b>	14	8,628	3,283

Approved by the Board on **28 October** 1998  
and signed on their behalf by: **DAVID OSBORN**

Director

 28/10/98

The accounting policies on pages 8 and 9 and the notes on pages 10 to 15 form part of these accounts.

## **Saxet (UK) Limited**

### **Accounting Policies**

The principal accounting policies adopted in the preparation of these financial statements are set out below.

#### **Accounting convention**

The financial statements are prepared under the historical cost convention and comply with all applicable UK Accounting Standards which have been applied consistently.

#### **Turnover**

Turnover represents the value of goods delivered to customers during the year excluding value added tax and other sales taxes.

#### **Foreign currencies**

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions denominated in foreign currencies entered into during the year are translated at the rate ruling at the date of the transaction.

All differences in exchange arising from the translation of foreign currencies are taken to the profit and loss account.

#### **Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is charged on the cost of tangible fixed assets at rates estimated to write off their carrying values evenly over their expected useful lives as follows:

Motor Vehicles	- 4-5 years
Equipment & Fixtures	- 2-10 years

#### **Investments**

Investments of the Company are stated at cost less provisions for any permanent diminution in value.

## **Saxet (UK) Limited**

### **Accounting Policies (Continued)**

#### **Stocks**

Stocks and work in progress have been valued at the lower of cost and estimated net realisable value.

#### **Cash Flow Statement and Related Party Disclosures**

The Company is a wholly owned subsidiary of SmithKline Beecham plc and is included in the consolidated financial statements of SmithKline Beecham plc which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (Revised 1996). The Company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the SmithKline Beecham plc group.

## Saxet (UK) Limited

### Notes to the Accounts for the Year Ended 31 December 1997

#### 1 Segmental information

The Directors consider all of the Company's turnover and profit after taxation to be derived from the one class of business which is trading in consumer healthcare products.

Turnover analysis by geographical market supplied:

	1997 £'000	1996 £'000
Middle East	15,545	13,705
Eastern Europe	27,238	27,030
Americas	1,312	1,593
Africa	2,969	6,324
Other	1,834	3,050
	48,898	51,702

#### 2 Operating Profit

Operating profit is stated after charging/(crediting):

	1997 £'000	1996 £'000
Auditors' remuneration - statutory audit	-	35
Depreciation	70	45
(Gain)/Loss on exchange	(1,597)	1,787
(Profit) on disposal of fixed assets	-	(3)
Release of provision for diminution in value of investment in subsidiary undertaking	-	(300)
Release of provisions (see below)	(2,154)	-

In 1994, the Directors identified significant deficiencies in the underlying accounting records. Since that time management resources have been deployed to correct these deficiencies. As part of this process provisions were established to cover a number of identified exposures. Following a review this year, the Directors have concluded that certain provisions can now be released and consequently a £2,154,000 credit is shown in the profit and loss account.

The auditors' remuneration in respect of 1997 has been borne by the ultimate parent undertaking, SmithKline Beecham plc.

## **Saxet (UK) Limited**

### **Notes to the Financial Statements(Continued)**

#### **3 Employees**

The average number of persons employed by the Company during the year was nil (1996: Nil).

#### **4 Directors' Emoluments**

The Directors received no remuneration in relation to their services to the Company during the year (1996: £Nil).

#### **5 Interest**

	<b>1997 £'000</b>	<b>1996 £'000</b>
Interest receivable:		
Interest receivable on bank deposits	62	744
Interest payable:		
Interest payable to group undertakings	708	493
Interest payable on bank and other borrowings repayable within five years	69	255
	<b>777</b>	<b>748</b>

#### **6 Taxation**

	<b>1997 £'000</b>	<b>1996 £'000</b>
UK corporation tax at 31.5% (1996: 33%)	2,675	2,250
Adjustment to prior years	883	-
UK tax penalties	3	-
	<b>3,561</b>	<b>2,250</b>

**Saxet (UK) Limited****Notes to the Financial Statements (Continued)****7 Tangible Fixed Assets**

	<b>Motor Vehicles £'000</b>	<b>Equipment &amp; Fixtures £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 1 January 1997	149	120	269
Additions	-	32	32
Disposals	-	-	-
At 31 December 1997	149	152	301
<b>Accumulated depreciation</b>			
At 1 January 1997	42	19	61
Charge for year	28	42	70
On disposals	-	-	-
At 31 December 1997	70	61	131
<b>Net book amounts</b>			
At 31 December 1997	79	91	170
At 31 December 1996	107	101	208

## Saxet (UK) Limited

### Notes to the Financial Statements (Continued)

#### 8 Investments in Subsidiary Undertakings

	1997 £'000	1996 £'000
Shares in subsidiary undertakings		
Brought forward - at cost	5,623	623
Additional investment in subsidiary undertaking	-	5,000
	5,623	5,623
Less: provisions for diminution in value		
Brought forward	-	(300)
Release of provision in period	-	300
Carried Forward	-	-
Total	5,623	5,623

The subsidiary companies and their countries of incorporation are:

Undertaking	Country of Incorporation	Principal operations	Principal Activity
Sterling Drug (Singapore) Pte Limited	Singapore	Singapore	Consumer Healthcare
Sterling Drug (Malaya) Sdn Bhd	Malaysia	Malaysia	Consumer Healthcare
SmithKline Beecham Caribbean Limited	UK	Caribbean	Consumer Healthcare
SmithKline Beecham (Export) Limited	UK	Russia	Representative office

Sterling Drug (Singapore) Pte Limited, SmithKline Beecham Caribbean Limited and SmithKline Beecham (Export) Limited are wholly owned.

The Company owns 51% of the share capital of Sterling Drug (Malaya) Sdn Bhd.

Saxet (UK) Limited is a wholly owned subsidiary of the ultimate parent undertaking which prepares group accounts and as such has taken advantage of the exemption from preparing group accounts under S228(2) of the Companies Act 1985.

## Saxet (UK) Limited

### Notes to the Financial Statements (Continued)

#### 9 Stocks

	1997 £'000	1996 £'000
Finished goods and goods for resale	4,491	4,510
	4,491	4,510

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

#### 10 Debtors

	1997 £'000	1996 £'000
<b>Falling due within one year:</b>		
Amounts owed by group undertakings	30,725	12,471
Trade debtors	17,437	10,671
Other debtors	-	350
Prepayments	245	1,494
	48,407	24,986

#### 11 Creditors: Amounts falling due within one year

	1997 £'000	1996 £'000
Bank overdraft	-	17,711
Trade creditors	547	2,499
Amounts owed to group undertakings	42,595	11,581
Amount owed to Eastman Kodak Company	-	3,070
Taxation	6,652	3,343
Other creditors and accruals	1,215	3,368
	51,009	41,572



## **Saxet (UK) Limited**

### **Notes to the Financial Statements (Continued)**

#### **12 Called Up Share Capital**

	<b>1997 £</b>	<b>1996 £</b>
Authorised: 100,000 ordinary shares of £1 each	100,000	100,000
Issued, allotted and fully paid: 51,000 ordinary shares of £1 each	51,000	51,000

#### **13 Reserves**

	<b>Profit and loss account £'000</b>
At 1 January 1997	3,232
Retained profit for the year	5,345
At 31 December 1997	8,577

#### **14 Reconciliation of Movements in Shareholders' Funds**

	<b>1997 £'000</b>	<b>1996 £'000</b>
Profit for the year	5,345	3,223
Opening shareholders' funds	3,283	60
Closing shareholders' funds	8,628	3,283

#### **15 Ultimate Parent Undertaking**

SmithKline Beecham plc, a public limited company registered in England and Wales, is the Company's ultimate parent undertaking. The largest and smallest group undertakings for which group financial statements are prepared, and which include the results of Saxet (UK) Limited, are the consolidated financial statements of SmithKline Beecham plc. Copies of the consolidated group financial statements can be obtained from New Horizons Court, Great West Road, Brentford, Middlesex, TW8 9EP.