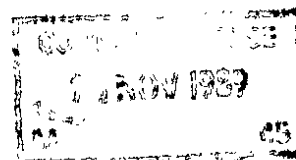


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BEECHAM GROUP P.L.C.

REPORT AND ACCOUNTS FOR THE
YEAR ENDED

31ST MARCH 1989



BOARD OF DIRECTORSEXECUTIVE DIRECTORS

Robert P. Bauman*: age 58

Became Group chairman in September 1986. He joined Beecham from Textron Inc. where he had been vice-chairman from 1985 to 1986. Mr. Bauman was chairman of Avco Corporation, a conglomerate in financial services and aerospace, from 1981 until 1985. Previously he had 23 years' service with General Foods Inc., a consumer products company, where he gained wide international experience. Mr. Bauman is a non-executive director of Capital Cities Communication Inc. and Union Pacific Corporation.

James G. Andress*: age 50

Joined the Beecham board in September 1988 following his appointment as chairman of Beecham Pharmaceuticals earlier that year. Previously he was president and chief operating officer of Sterling Drug Inc.

Hugh R. Collum*: age 48

Joined the Beecham board in January 1987 as Group finance director, previously having held that position at Cadbury Schweppes p.l.c. Mr. Collum is a non-executive director of Sadgwick Group p.l.c.

Raoul H. Garber*: age 58

Joined the Group in 1970 and in 1976 became chairman of Beecham Pharmaceuticals European Division. He was appointed a Group director in 1980.

John F.B. Hunter*: age 52

Joined Beecham in 1957 and became a Group director in 1984. In 1987 he was appointed chairman of Beecham Products, European and International.

Peter Jackson: age 45

Joined the Beecham board in September 1987 following his appointment as Group personnel director earlier that year. Previously, he was chief executive - personnel for the BOC Group p.l.c.

Keith R.L. Mansford: age 57

Joined the Group's pharmaceutical research staff in 1954 and became a Group director in 1984. Dr. Mansford is managing director of Research and Medical at Beecham.

R. Paul Tatman: age 55

Joined the Group in 1969 and was president of Beecham Pharmaceuticals U.S.A. Division from 1986 until he was appointed a Group director in April 1988, when he also became managing director of Beecham Pharmaceuticals.

BOARD OF DIRECTORS

NON-EXECUTIVE DIRECTORS

Andrew R.F. Buxton*+: age 50

Joined the Beecham board in 1986. He is vice chairman and managing director of Barclays PLC having been appointed a director of the bank in 1978.

Sir Robert Clark*: age 65

Joined the Beecham board in 1986 and became vice-chairman in July 1987. Sir Robert is deputy chairman of TSB Group p.l.c. in addition to being a non-executive director of a number of other well-known U.K. companies.

Sir John Kingman*+: age 49

Joined the Beecham board in 1986. He is vice-chancellor of Bristol University and a non-executive director of IBM (UK) Holdings Ltd.

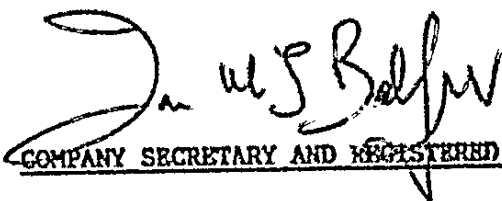
Sir Peter Walters: age 58

Joined the Beecham board in May 1989. He has been chairman of the British Petroleum Company p.l.c. since 1981 and is a director of the National Westminster Bank p.l.c. In addition, Sir Peter holds posts on the councils of a number of public bodies.

James White+: age 51

Joined the Beecham board in 1986. He is chairman and chief executive of Bunzl p.l.c. and is a non-executive director of Lucas Industries p.l.c and Redland p.l.c.

- * Finance and general purposes committee member.
- + Audit committee member.



COMPANY SECRETARY AND REGISTERED OFFICE

I.M.F. Balfour
Beecham House
Brantford
Middlesex
TW8 9BD

DIRECTORS' REPORT

The directors of Beecham Group p.l.c. have pleasure in submitting their report and the accounts for the year ended 31st March 1989.

Principal Activities

The Group's principal activities are the research, development, manufacture and marketing of a wide range of products, mainly in the health and personal care sectors. Beecham's products include prescription and over-the-counter ("OTC") medicines, toiletries, cosmetics and health-oriented drinks.

Post Balance Sheet Events

On 12th April 1989, Beecham Group p.l.c. and SmithKline Beckman Corporation announced their intention to merge their businesses, forming a new U.K. holding company, SmithKline Beecham p.l.c. The proposed merger is subject to regulatory approval in the U.K. and in the U.S.A., and to shareholder approval.

Review of Operations**Continuing operations**

Sales and trading profit from Beecham Group's continuing operations increased by £112.1m (6.1 per cent) and £46.6m (13.8 per cent) respectively. A more detailed analysis of the components of the growth in trading profit from continuing operation is presented in the table below:

	Organic growth in £m	Currency translation differences in £m	Total £m
Prescription medicines	56.9	(9.8)	47.1
OTC medicines	7.1	(2.1)	5.0
Consumer products	19.5	(3.4)	16.1
	<hr/>	<hr/>	<hr/>
Increase in research and development expenditure . . .	33.5	(15.3)	18.2
	(23.4)	1.8	(21.6)
	<hr/>	<hr/>	<hr/>
Total growth in trading profit from continuing operations	60.1	(13.5)	46.6
	*****	*****	*****

Prescription medicines

Sales increased by £62.0 million (7.4 per cent) to £902.9 million in the 1989 financial year. This sales increase was generated mainly by continued growth in AUGMENTIN and TIMENTIN, whose sales increased by 36 per cent and 20 per cent respectively. Sales of AMOXIL were at approximately the same level as in the previous year due in part to an influenza epidemic. Three new products, RELIFEX, BACTROBAN and EMINASE have shown significant growth since launch. Sales of Animal Health products grew by 4 per cent. Sales of all other products showed a net decline.

Trading profit before deducting research and development expenditure increased by £47.1 million (16.9 per cent) to £326.4 million in the 1989 financial year. The organic growth in profits, which included a 27.9% increase in the Americas, arose primarily from the increased sales of newer products with higher margins and reductions in production costs of certain bulk materials.

OTC medicines

Sales in 1989 showed a relatively modest increase of 4.0 per cent, although at the same average rates of exchange as in the previous year the growth would have been 7.6 per cent. The recorded profit growth was 9.1 per cent, but again the use of the same average rates of exchange as in the previous year would have increased the rate of growth to 13.0 per cent.

Consumer products

The overall performance in this sector reflected sales growth of 5.4 per cent and growth in profits of 14.0 per cent. During the 1989 financial year sales and profit growth of 21 per cent and 30 per cent, respectively were recorded in the health-oriented drinks business in the U.K. whilst the range of toiletry products continued to perform well in a market that remained sluggish. Sales of health drinks and toiletries also grew in the Middle and Far East. In Europe ODOL continued to hold a major presence in Germany, while in the U.S.A. the increasing sales of AQUAFRESH toothpaste and MASSENGILL feminine hygiene products improved the performance of the toiletry range.

Discontinued operations

Sales from operations discontinued prior to 31st March 1989 were £30.6 million in the 1989 financial year compared with £140.6 million in the 1988 financial year. The principal operations discontinued in the 1988 financial year were DAP, the home improvement products business in the U.S.A., which was disposed of on 1st September 1987.

In financial year 1989, the sale of Beecham Cosmetics Inc. in the U.S.A. was completed on 2nd August 1988. The Juvena group of cosmetics companies based principally in Europe was sold on 30th September 1988. The total net consideration received for these and certain other minor disposals amounted to £67.8m of which £55.5m was received during the year.

In connection with the proposed combination of Beecham and SmithKline Beckman Corporation, Beecham intends to dispose of its cosmetics and fragrance businesses, together with certain other non-core businesses, although there can be no assurances as to the terms and timing of any such sales. Such businesses have been reclassified as Operations Held for Sale in note 1 to the accounts. Sales from the Beecham Operations Held for Sale increased by £22.7 million (4.4 per cent) of which £16.8 million related to the cosmetics and fragrance businesses. Trading profit increased by £7.9 million which included an increase in cosmetics trading profit of 12.5 per cent.

Research and development expenditure

Expenditure on prescription medicines research and development increased by £18.9 million (19.9 per cent) from £95.2 million in the 1988 financial year to £114.1 million. Research and development expenditure represented 12.6 per cent of prescription medicine sales (11.3 per cent in 1988). Expenditure on OTC medicines and consumer products research and development increased by £2.7 million (17.3 per cent) from £15.6 million to £18.3 million.

Costs and expenses

The cost of sales, distribution costs and administrative expenses, expressed as a percentage of overall sales were 65.7 per cent (1988 67.8 per cent), 3.7 per cent (1988 3.8 per cent) and 6.9 per cent (1988 7.3 per cent) respectively. The reduction in the cost of goods sold percentage was largely attributable to the increasing proportion of pharmaceuticals sales on which there is a higher average gross profit than for Beecham Group sales overall.

Net interest

Net interest received increased to £25.2 million in the 1989 financial year from £3.0 million in the previous financial year principally as a result of the cash generated by the continuing disposal programme. In addition the £110.1 million cash flow from operations, after financing and tax, made a significant contribution to the improved interest position.

Dividends and retentions

The amount available for dividends and retentions is £301.0m. A second interim dividend of 9.7p per share has been declared which, together with the interim dividend of 6.3p per share paid on 1st February 1989, amounts to £121.4m compared with a total of £108.1m for 1987/88, and leaves a balance of £179.6m to be retained in the Group at 31st March 1989. No final dividend is recommended.

The total net dividends of 16.0p per share compare with the 14.3p per share paid in respect of the previous year, an increase of 11.9 per cent.

Finance

Increases in the share capital of the company during the year are set out in note 19 to the accounts on page 26. Borrowings increased by £78.5m to £365.5m and cash, deposits and investments show an increase of £226.7m to £735.5m. Overall, at the end of the financial year under review the Group had net funds of £370.0m in continuing businesses compared with £221.8m at 31st March 1988. In addition the businesses in course of disposal at 31st March 1988 held net funds of £9.8m.

Foreign exchange fluctuations

The directors have estimated that sales and pre-tax profit for the 1989 financial year would have been £107.2 million and £17.7 million higher respectively if the results of overseas companies had been translated into pounds sterling at the average rates of exchange for the 1988 financial year.

Capital expenditure

Gross expenditure on land and buildings and plant, equipment and vehicles, during the year, amounted to £117.5m.

The analysis of this expenditure by geographical area was as follows:

	1988/89 £m	1987/88 £m
United Kingdom	60.9	42.6
Rest of Europe	24.7	25.3
The Americas	23.8	14.0
Rest of the World	8.1	5.3
	117.5	87.2

Capital expenditure authorised at the end of the financial year amounted to £50.8m compared with £60.7m at the end of last year.

Directors

The directors of the company at the date of this report are shown on pages 1 and 2. Mr. J.B. Diamond, Mr. D.I. Allport and Mr. J.D. Pollard retired from the board on 30th April 1988, 27th July 1988 and 31st December 1988 respectively. Mr. J.W. Robb resigned from the board on 1st September 1988.

Mr. R.P. Tatman, Mr. J.G. Andress and Sir Peter Walters were appointed on 1st April 1988, 28th September 1988 and 22nd May 1989 respectively. Under article 89, Mr. J.G. Andress and Sir Peter Walters retire and offer themselves for re-appointment.

The directors who retire by rotation and, being eligible, offer themselves for re-appointment are Mr. J.F.B. Hunter, Sir John Kingman and Mr. J. White.

The unexpired periods of the service contracts of Mr. Andress, Mr. Tatman and Mr. Hunter are thirty-seven months each. Sir John Kingman and Mr. White are non-executive directors.

A statement of the directors' interests is set out in note 24 to the accounts on page 30.

Employees

Beecham's policies on employee involvement, disabled persons and management training and development are described on page 7.

Shareholders

The company is not aware of any person holding 5 per cent or more of its share capital.

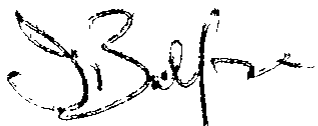
So far as the directors are aware, the company is not a close company for taxation purposes and there has been no change in that respect since the end of the financial year.

Charitable and political contributions

Donations made in the U.K. for charitable purposes amounted to £500,534. A contribution of £5,000 was made to the Centre for Policy Studies Limited, and approval was given to make a donation of £30,000 to the Conservative Party.

Auditors

Price Waterhouse are willing to continue in office as auditors and their re-appointment will be dealt with at the annual general meeting.



By Order of the Board
I.M.F. Balfour

Secretary, 23rd May 1989

EMPLOYEES**INVOLVEMENT**

During the past 12 months the Group has implemented two major changes which will allow a significantly greater number of U.K. employees to have a personal financial stake in its future. These are, first, the reduction from 5 years to 12 months in the service requirement for the staff bonus, and second, the introduction of a savings related share option scheme.

Within the bonus scheme arrangements the Group is able to offer its staff a tax effective conversion into Employee Shares and participation in the Share Scheme by this means is now open to many more employees. The savings related share option scheme, SHARESAVE, has been introduced with the intention of significantly increasing employees' involvement with the Group. Over 28% of U.K. staff have already taken up options under the scheme.

As a desirable complement to the extended equity participation the Group is currently implementing an extensive internal communications programme for all employees which includes regular news bulletins, briefings and a journal in several languages. In addition, the Group has introduced an Annual Report specifically designed for employees which is produced in four languages and circulated to its establishments throughout the world. This programme supplements extensive local initiatives in the field of employee involvement.

The long term objective of the equity participation arrangements and the communications programme is to improve significantly the informed involvement of all employees in the successful operation of the Group.

EMPLOYMENT OF DISABLED PERSONS

It remains Group policy to give the fullest consideration to applications from disabled persons and to provide the most appropriate facilities and training. Dependant on their skills and abilities, disabled persons enjoy the same career prospects as other staff, and should an employee become disabled every effort is made to provide continuity of employment.

MANAGEMENT TRAINING AND DEVELOPMENT

During 1988/89 increasing emphasis has been placed on management development and managerial performance and a number of initiatives have been launched at senior and middle management levels to formalise the link between performance and remuneration. In addition, schemes have been launched in a number of factories which link operational performance to merit payments. These contribution reward programmes will continue to feature in forward planning in key areas of the business.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

YEAR ENDED 31ST MARCH 1989

Notes		1988/89 £m	1987/88 £m
1	Sales	2,505.0	2,480.2
	Cost of sales	(1,644.7)	(1,680.4)
	Gross profit	860.3	799.8
	Distribution costs	(92.1)	(94.3)
	Administrative expenses	(173.8)	(181.0)
	Research and development expenditure	(134.7)	(113.6)
1&2	Trading profit	459.7	410.9
	Share of profits of related companies	5.9	5.2
3	Interest (net)	25.2	3.0
	Profit on ordinary activities before taxation	490.8	419.1
4	Tax on profit on ordinary activities	(185.6)	(163.4)
	Profit on ordinary activities after taxation	305.2	255.7
	Minority interests	(4.2)	(3.7)
	Profit attributable to shareholders	301.0	252.0
5	Dividends	(121.4)	(100.1)
	Profit retained for the year	179.6	151.9
6	Earnings per ordinary share	39.73p	33.34p

A statement of the movements on reserves is shown in note 20 on page 27.

BALANCE SHEETS

31ST MARCH 1989

Notes		Group		Company	
		1989 £m	1988 £m	1989 £m	1988 £m
	Employment of capital				
	Fixed assets				
7	Tangible assets	605.7	643.9	307.5	291.4
8	Investments	11.5	9.8	858.3	717.9
		617.2	653.7	1,165.8	1,009.3
	Current assets				
9	Stocks	300.4	377.2	96.2	89.4
10	Debtors	460.5	527.0	264.6	251.6
11	Assets held pending disposal	168.0	24.8	0.1	0.8
12	Investments	651.2	20.0	-	12.9
13	Cash at bank and in hand	84.3	488.8	54.2	21.3
		1,664.4	1,437.8	415.1	376.0
	Creditors due within one year				
14	Loans and overdrafts	(238.2)	(52.6)	-	(0.2)
15	Other	(508.4)	(573.4)	(445.0)	(364.8)
		(746.6)	(626.0)	(445.0)	(365.0)
	Net current assets	917.8	811.8	(29.9)	11.0
	Total assets less current liabilities	1,555.0	1,445.5	1,135.9	1,020.3
	Creditors due after one year				
16	Loans	(127.3)	(234.4)	(62.5)	(64.1)
17	Other	(19.5)	(30.3)	(7.4)	(8.3)
18	Provisions for liabilities and charges	(110.9)	(129.5)	(13.6)	(15.0)
		(257.7)	(394.2)	(83.5)	(87.4)
		1,277.3	1,071.3	1,052.4	932.9
	Capital employed				
	Capital and reserves				
19	Called up share capital	189.8	189.2	189.8	189.2
20	Reserves	1,555.9	1,370.2	862.6	743.7
	Shareholders' equity before elimination of goodwill	1,745.7	1,559.4	1,052.4	932.9
21	Goodwill Reserve	(483.7)	(502.4)	-	-
	Shareholders' equity after elimination of goodwill	1,262.0	1,057.0	1,052.4	932.9
	Minority interests	15.3	14.3	-	-
		1,277.3	1,071.3	1,052.4	932.9

Robert P Bauman
Robert P Bauman Director
23rd May 1989

Hugh R Collum Director

SOURCE AND APPLICATION OF FUNDS

YEAR ENDED 31ST MARCH 1989

Notes	1988/89 £m	1987/88 £m
Funds generated from trading:		
Trading profit	459.7	410.9
Depreciation	67.0	62.9
Miscellaneous items, including exchange	1.6	(14.8)
	528.3	459.0
Changes in working capital:		
Stocks - (increase)	(34.1)	(35.0)
Debtors - (increase)	(38.7)	(50.1)
Creditors and provisions - increase	21.4	54.2
	(51.4)	(30.9)
Changes in fixed assets:		
Purchases of tangible assets	(117.5)	(87.2)
Sales of tangible assets	25.6	9.0
7	(91.9)	(78.2)
Cash flow from operations	385.0	349.9
Interest (net)	25.2	3.0
Tax paid	(189.6)	(132.0)
Dividends paid	(110.5)	(100.0)
Cash flow after financing and tax	110.1	120.9
19	4.5	2.2
11	55.5	117.1
Net inflow of funds	170.1	240.2
Net funds		
Net surplus funds/(borrowings)		
at beginning of year	221.0	(54.6)
Exchange restatement	(11.3)	35.4
Net inflow of funds	170.1	240.2
Net surplus funds at end of year	379.8	221.0
Net surplus funds in continuing businesses	370.0	221.8
Net surplus funds in businesses in course of disposal	9.8	(0.8)
	379.8	221.0

The movement in net funds in the year represents the difference between the amounts shown in the opening and closing balance sheets. Movements in other items do not correspond to the change in the balance sheet amounts, as they include assets in the course of disposal (see note 11) and the effects of retranslating opening currency balances of overseas companies at closing exchange rates.

Net funds comprise cash, deposits and investments less loans and overdrafts.

STATEMENT OF ACCOUNTING POLICIES

Basis of consolidation

The Group accounts have been prepared under the historical cost convention modified for the revaluation of land and buildings and include the accounts of the parent company and its subsidiaries for the year ended 31st March 1989. The accounts of businesses acquired during a year are included from the date of acquisition and those of businesses sold are included up to the date of disposal. Where a decision has been made to dispose of a business and it remains unsold at a period end, its net assets are disclosed in the balance sheet as assets held pending disposal.

The accounts are presented in accordance with the Companies Act 1985 and the Group's accounting policies. The parent company has not presented its own profit and loss account, as permitted by Section 228(7) of the Companies Act 1985.

The Group's main accounting policies, which conform with U.K. accounting standards, are set out below.

Translation of foreign currencies into sterling

Profit and loss accounts of overseas companies are translated into sterling using average rates of exchange applicable to the financial period. The net tangible assets of overseas companies are translated into sterling at the rates of exchange ruling at the balance sheet date.

Differences arising from changes in exchange rates during the year, insofar as they relate to the net tangible assets of overseas companies and to foreign currency borrowings, are taken direct to reserves. All other differences are taken to the profit and loss account.

Sales

Sales are amounts receivable by Group companies for the sale of their products to third parties and related companies after deducting trade discounts and allowances.

Research and development expenditure

Expenditure on laboratory buildings and equipment is capitalised and written off in accordance with the Group's depreciation policy. Other research and development expenditure is written off in the year in which it is incurred.

Advertising and marketing expenditure

Advertising and marketing expenditure is written off as incurred.

Deferred taxation

Provision for deferred taxation is made under the liability method in respect of timing differences where it is probable that a tax liability will become payable or tax relief will be available within the foreseeable future. The main timing difference is the excess of U.K. capital allowances over depreciation.

Intangible fixed assets - goodwill

On the acquisition of a business, fair values are attributed to the net tangible assets acquired.

Goodwill arises where the purchase consideration exceeds the value of the underlying net tangible assets. Goodwill has been eliminated from the Group balance sheet against reserves in the year of acquisition. Profit or loss on disposal of a business is calculated on the full purchase consideration, and, where appropriate, adjustment is made to the profit or loss on disposal in respect of the amount of goodwill previously written off.

In previous years goodwill was amortised over its estimated useful economic life (normally 40 years) from date of acquisition. The comparative figures for the year ended 31st March 1988 have been restated to reflect this change in policy. The effect of the change in policy has been to increase profit attributable to shareholders by £12.6 million in that year.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or revaluation less depreciation but before deducting capital grants which are shown separately under other creditors.

Depreciation has been charged on the cost or revalued amount of the fixed assets, except freehold land, in equal annual instalments over the estimated useful lives of the assets. The average lives for each major asset category are:

Freehold buildings - revalued	Period of remaining useful life
- other	50 years
Leasehold land and buildings	Term of lease
Plant and equipment	10/15 years
Vehicles - motor cars	5 years
- lorries and other vehicles ..	7 years

Stocks

Stocks are stated at the lower of cost and net realisable value generally using the first in, first out method of valuation. The cost of finished goods and work in progress comprises raw materials, direct labour and expenses, and related production overheads.

Related companies

The consolidated profit and loss account includes the Group's share of the profits of related companies and the consolidated balance sheet includes the investment in related companies at cost less goodwill plus the Group's share of their post-acquisition retained profits.

A related company is a company in which the Group's interest is between 20 per cent and 50 per cent and where the Group has a significant influence over its commercial and financial policy decisions.

Pension benefits

The Group makes contributions to various pension plans which cover the majority of employees.

The plans are devised in accordance with the local conditions and practices in the country concerned. The contributions are based on periodic actuarial calculations and are charged against profits as incurred. The plans are generally funded by payments to insurance companies or trusts whose assets are separately administered from those of the Group. Where due to local conditions certain plans are not externally funded, appropriate provisions are made in the accounts.

Leases

An asset acquired under a lease which transfers substantially all the risks and rewards of ownership to the Group is capitalised as a tangible asset and depreciated over the shorter of the term of the lease or its useful life. Outstanding obligations due under a lease, net of finance charges, are included as a liability. The finance element of the rental payments is charged to the profit and loss account over the term of the lease.

All other leases are operating leases and the rentals are charged to the profit and loss account as incurred.

NOTES TO THE ACCOUNTS

YEAR ENDED 31ST MARCH 1989

1. Segment information

The analysis of sales and trading profit by business sector and by the geographical area in which each company is located is as follows:

	Sales		Trading Profit	
	1988/89 £m	1987/88 £m	1988/89 £m	1987/88 £m
Business sector:				
Continuing operations				
Pharmaceutical products				
Prescription medicines	902.9	840.9	326.4	279.3
Over the counter medicines	223.3	214.7	59.8	54.8
	1,126.2	1,055.6	386.2	334.1
Consumer products				
Toiletries, drinks and other consumer products	813.1	771.6	130.7	114.6
	1,939.3	1,827.2	516.9	448.7
Research and development expenditure	-	-	(132.4)	(110.8)
Total continuing operations	1,939.3	1,827.2	384.5	337.9
Operations discontinued prior to 31 March 1989	30.6	140.6	1.6	7.3
Operations held for sale: Cosmetics	374.3	357.5	44.1	39.2
Non-Core Activities	160.8	154.9	29.5	26.5
	2,505.0	2,480.2	459.7	410.9
Geographical area:				
Continuing operations				
United Kingdom				
Home sales	425.7	382.5		
Export sales	42.3	218.0		
	468.0	600.5	221.2	175.5
Rest of Europe	476.5	470.6	118.0	110.2
The Americas	432.2	570.2	148.4	129.8
Rest of the World	176.3	162.5	29.3	33.2
Intra-group sales	(177.7)	(176.6)	-	-
	1,939.3	1,827.2	516.9	448.7
Research and development expenditure	-	-	(132.4)	(110.8)
Total continuing operations	1,939.3	1,827.2	384.5	337.9
Operations discontinued and held for sale	565.7	653.0	75.2	73.0
	2,505.0	2,480.2	459.7	410.9

NOTES TO THE ACCOUNTS

1. Segment information continued

The analysis of sales by location of customer is as follows:

	1988/89 £m	1987/88 £m
Continuing operations		
United Kingdom	425.7	384.5
Rest of Europe	662.4	645.9
The Americas	634.7	579.9
Rest of the World	216.5	216.9
Total continuing operations	1,939.3	1,827.2
Operations discontinued and held for sale	565.7	653.0
	2,505.0	2,480.2

Group policy is that sales between Group companies are made at prices which ensure a fair profit to each company involved.

Discontinued operations

The analysis of sales and trading profit by business sector and geographical area of the businesses sold during 1988/89 and 1987/88 or in course of disposal at each year end, is as follows:

	Sales		Trading Profit	
	1988/89 £m	1987/88 £m	1988/89 £m	1987/88 £m
Business sector:				
Pharmaceutical products	29.3	27.8	5.8	5.6
Consumer products	97.2	103.4	19.1	19.1
Cosmetics	439.2	521.8	50.3	48.3
Total	565.7	653.0	75.2	73.0
Geographical area:				
United Kingdom	81.9	80.2	17.6	15.3
Rest of Europe	309.2	307.9	33.9	30.4
The Americas	87.5	180.8	11.1	15.9
Rest of the World	87.1	84.1	12.6	11.4
Total	565.7	653.0	75.2	73.0

NOTES TO THE ACCOUNTS

2. Trading profit

The following amounts have been charged in arriving at trading profit:

	1988/89 £m	1987/88 £m
Depreciation of tangible fixed assets	67.0	62.9
Operating lease rentals	22.3	23.6
Land and buildings	9.4	10.0
Plant, equipment and vehicles	12.9	13.6
Other hire charges	4.2	3.1
Remuneration of auditors	2.4	2.3
Directors' emoluments (see note 25)	3.4	2.8

3. Interest

	1988/89 £m	1987/88 £m
Interest payable	(47.0)	(34.9)
Loans wholly repayable within 5 years	(1.9)	(14.1)
Loans not wholly repayable within 5 years	(10.2)	(10.8)
Bank overdrafts and other short term borrowings	(34.9)	(10.0)
Interest receivable on deposits and investments held as current assets	72.2	37.9
Interest (net)	25.2	3.0

4. Taxation

	1988/89 £m	1987/88 £m
United Kingdom taxation:		
Corporation tax	109.0	77.9
Double tax relief	(34.7)	(16.6)
Advance corporation tax	(4.5)	(9.0)
	69.8	52.3
Overseas tax	113.8	109.3
Overseas related companies	2.0	1.8
	185.6	163.4
Comprising:		
Current tax	182.6	161.8
Deferred tax	3.0	1.6
	185.6	163.4

U.K. and overseas tax has been provided on the profit of the year. U.K. corporation tax has been calculated at the rate of 35 per cent (1987/88 - 35 per cent).

NOTES TO THE ACCOUNTS

5. Dividends

	1988/89		1987/88	
	Pence per share	£m	Pence per share	£m
Payable to the ordinary shareholders of Beecham Group p.l.c.				
First interim dividend - paid	6.3p	47.8	5.6p	42.3
Second interim dividend - payable	9.7p	73.6	-	-
Final dividend paid	-	-	8.7p	65.8
	16.0p	121.4	14.3p	108.1

The final dividend for 1987/88 and the first interim dividend for 1988/89 as stated above include dividends taken in the form of shares amounting respectively to £2.1m and £2.5m, under the arrangements approved by shareholders at the 1988 annual general meeting (see notes 19 and 20). Full provision has been made for the second interim dividend, which is payable in cash.

6. Earnings per ordinary share

Earnings of 39.73p (1987/88 - 33.34p) have been calculated by dividing the profit attributable to shareholders by 757.7m (1987/88 - 755.8m) being the weighted average number of shares in issue during the year and ranking for dividend.

There would be no significant dilution of earnings if the outstanding convertible bonds and share options were exercised.

NOTES TO THE ACCOUNTS

7. Tangible fixed assets

	Land and buildings			Plant, equipment and vehicles			Assets in course of construction	Total
	Cost or Valuation £m	Depreciation £m	Net book amount £m	Cost £m	Depreciation £m	Net book amount £m	Cost £m	Net book amount £m
Group								
At beginning of year	347.5	1.5	346.0	631.3	348.2	283.1	14.8	643.9
Exchange adjustments	4.3	0.2	4.1	14.6	9.0	5.6	0.5	10.2
Assets of businesses sold	(9.9)	(0.1)	(9.8)	(7.5)	(4.4)	(3.1)	-	(12.9)
Assets held pending disposal	(34.8)	(1.4)	(33.4)	(50.9)	(25.1)	(25.8)	(1.2)	(60.4)
Additions	20.7	-	20.7	74.9	-	74.9	21.9	117.5
Reclassifications	3.2	-	3.2	15.2	-	15.2	(18.4)	-
Sales	(21.9)	(0.7)	(21.2)	(14.5)	(10.1)	(4.4)	-	(25.6)
Depreciation for year	-	8.5	(8.5)	-	58.5	(58.5)	-	(57.0)
At end of year	309.1	8.0	301.1	661.1	376.1	287.0	17.6	605.7
Company								
At beginning of year	150.4	-	150.4	287.7	150.9	136.8	4.2	291.4
Additions	9.9	-	9.9	32.1	-	32.1	12.8	54.8
Reclassifications	0.2	-	0.2	4.6	-	4.6	(4.8)	-
Sales	(5.8)	-	(5.8)	(6.9)	(5.0)	(1.9)	-	(7.7)
Depreciation for year	-	4.1	(4.1)	-	26.9	(26.9)	-	(31.0)
At end of year	154.7	4.1	150.6	317.5	172.8	144.7	12.2	307.5

The Group's properties worldwide (other than certain small properties) were professionally valued on the basis of open market value for their existing use or, in the case of certain specialist properties, on a depreciated replacement cost basis by Messrs. Jones Lang Wootton, Chartered Surveyors, London, as at 31st March 1988.

NOTES TO THE ACCOUNTS

7. Tangible fixed assets continued

	Group		Company	
	1989 £m	1988 £m	1989 £m	1988 £m
The total at cost or valuation for land and buildings comprises:				
At 1988 professional valuation	284.2	342.3	144.4	150.0
At cost	24.9	5.2	10.3	0.4
	309.1	347.5	154.7	150.4
	Group		Company	
	1989 £m	1988 £m	1989 £m	1988 £m
The revalued land and buildings, stated on an historical cost basis, comprise:				
Cost	223.1	269.8	107.9	112.1
Accumulated depreciation	(50.9)	(53.1)	(20.6)	(18.4)
	172.2	216.7	87.3	93.7
Depreciation for year	5.9	6.5	2.5	2.4
	Group		Company	
	1989 £m	1988 £m	1989 £m	1988 £m
Land and buildings at cost or valuation comprise:				
Freeholds	293.4	329.5	151.8	147.5
Long leases (over 50 years unexpired)	6.2	6.8	2.2	2.2
Short leases	9.5	11.2	0.7	0.7
	309.1	347.5	154.7	150.4

Group fixed assets included at a cost of approximately £158m (1988 £135m) have been fully depreciated although they were still in use at the year end.

NOTES TO THE ACCOUNTS

8. Investments held as fixed assets

	Related companies (listed)		Related company (unlisted)		Total
	Shares at cost £m	Retained profits £m	Shares at cost £m	Retained profits £m	£m
Group					
At beginning of year	4.5	2.6	0.7	2.0	9.8
Exchange adjustments	-	(1.3)	-	0.3	(1.0)
Share of retained profits for year	-	1.9	-	0.8	2.7
At end of year	4.5	3.2	0.7	3.1	11.5

	Related companies (listed)	Group companies		Total
	Shares at cost £m	Shares at cost £m	Loans £m	£m
Company				
At beginning of year	1.6	329.5	386.8	717.9
Exchange adjustments	-	-	4.2	4.2
Additions	-	158.0	79.4	237.4
Reductions	-	(1.3)	(99.9)	(101.2)
At end of year	1.6	486.2	370.5	858.3

The market value of listed investments in related companies on the basis of overseas stock exchange quotations was Group £46.1m (1988 £35.6m); Company £3.4m (1988 £4.8m).

Dividends received from related companies amounting to £1.2m (1987/88 £1.3m) are included in the Group's share of their profits.

The principal subsidiary and related companies of the parent company are shown on pages 35 and 36.

NOTES TO THE ACCOUNTS

9. Stocks

	Group		Company	
	1989 £m	1988 £m	1989 £m	1988 £m
Raw Materials and consumables	85.5	109.7	28.4	23.6
Work in progress	110.9	111.1	38.5	33.7
Finished goods and goods for resale	104.0	156.4	29.3	32.1
	300.4	377.2	96.2	89.4

10. Debtors

	Group		Company	
	1989 £m	1988 £m	1989 £m	1988 £m
Falling due within one year:				
Trade debtors	324.5	406.9	85.6	82.8
Amounts owed by group companies	-	-	135.8	127.0
Amounts owed by related company	0.4	0.4	0.4	0.4
Other debtors	31.1	35.4	6.3	7.2
Prepayments and accrued income	25.2	27.7	4.9	5.6
	381.2	470.4	233.0	223.0
Falling due after more than one year:				
Trade debtors	2.1	0.1	1.9	-
Amounts owed by related company	-	2.0	-	2.0
Proceeds from disposal of businesses	12.3	-	-	-
Other debtors	17.2	14.3	-	-
Prepayments and accrued income	2.2	2.6	0.1	0.1
Deferred taxation, including advance corporation tax	45.5	37.4	29.6	26.5
	79.3	56.6	31.6	28.6
	460.5	527.0	264.6	251.6

NOTES TO THE ACCOUNTS

11. Disposal of businesses

	1988/89 £m	1987/88 £m
Proceeds from disposals:		
Cash received from disposals	64.8	79.6
Expenses and provisions	(9.3)	(13.8)
Cash received from debtors	-	51.3
	55.5	117.1
Amount included in debtors	12.3	-
	67.8	117.1

Assets held pending disposal

	Group		Company	
	1989 £m	1988 £m	1989 £m	1988 £m
Tangible fixed assets	61.8	16.7	0.1	0.8
Stocks	109.4	10.1	-	-
Debtors	114.4	8.1	-	-
Cash less borrowings	9.8	(0.8)	-	-
Creditors and provisions	(127.4)	(9.3)	-	-
	168.0	24.8	0.1	0.8

The assets held pending disposal at 31st March 1988 mainly related to Beecham Cosmetics Inc., a U.S. cosmetics and fragrances business, the sale of which was completed on 2nd August, 1988. Assets held pending disposal at 31st March 1989 are the remaining cosmetics and fragrance businesses and certain other non-core businesses.

12. Investments held as current assets

	Group		Company	
	1989 £m	1988 £m	1989 £m	1988 £m
Sterling floating rate notes and commercial paper	320.2	-	-	-
U.S. Dollar floating rate notes and commercial paper	299.5	-	-	-
Deutschmark floating rate notes and commercial paper	18.0	-	-	-
U.K. certificates of tax deposit	-	12.9	-	12.9
Overseas securities at cost:				
Listed	0.4	2.0	-	-
Unlisted	12.1	5.1	-	-
	651.2	20.0	-	12.9
Market value of floating rate notes and commercial paper	637.7	-		
Market value of overseas listed securities	0.4	2.0		

NOTES TO THE ACCOUNTS

13. Cash at bank and in hand

	Group		Company	
	1989	1988	1989	1988
	£m	£m	£m	£m
Short-term deposits	56.1	442.0	0.3	0.2
Bank balances and cash	28.2	46.8	53.9	21.1
	84.3	488.8	54.2	21.3

14. Loans and overdrafts - amounts falling due within one year

	Group		Company	
	1989	1988	1989	1988
	£m	£m	£m	£m
Loans or instalments thereof repayable within one year (see note 16)	5.8	10.5	-	0.2
Short-term bank loans and overdrafts:				
Secured, mainly on current assets	1.7	2.0	-	-
Unsecured	230.7	40.1	-	-
	238.2	52.6	-	0.2

15. Other creditors - amounts falling due within one year

	Group		Company	
	1989	1988	1989	1988
	£m	£m	£m	£m
Payments received on account	1.0	2.2	0.1	0.9
Trade creditors	127.6	156.1	55.7	46.2
Bills of exchange payable	6.8	13.3	-	0.4
Amounts owed to group companies	-	-	192.2	146.9
Company taxation	128.1	133.4	90.1	72.3
Other taxes and social security	20.7	23.7	3.8	5.7
Other creditors	29.9	30.5	2.9	3.8
Accruals and deferred income	120.7	143.4	26.6	22.8
Dividends	73.6	65.8	73.6	65.8
	506.4	573.4	445.0	364.8

NOTES TO THE ACCOUNTS

16. Loans - amounts falling due after more than one year

		Group		Company	
	Latest repayment date	1989 £m	1988 £m	1989 £m	1988 £m
Debtenture loans and bank loans:					
Sterling					
Fixed rate					
Obligations under finance leases		-	0.2	-	0.2
		-	0.2	-	0.2
Foreign currencies					
Fixed rate					
6 3/4% U.S. dollar convertible bonds	1992	-	0.3		
7 3/8% Deutschmark bonds	1994	62.5	64.1	62.5	64.1
8 1/4 to 12 7/8% U.S. dollar notes	1989/99	41.0	44.0		
U.S. dollar revolving credit facilities		-	79.8		
Bank loans		14.6	15.1		
Other loans		0.8	2.9		
Floating rate					
Libor bank loans	1990	1.4	14.0		
Bank loans		3.6	16.2		
Other loans		9.0	8.3		
		133.1	244.7	62.5	64.1
Total loans					
Repayable within one year (see note 14)		(5.8)	(10.3)	-	(0.2)
		127.3	234.4	62.5	64.1
The latest repayment dates for loans or instalments thereof are as follows:					
Beyond 5 years					
Debtentures - lump sums		71.0	71.3	62.5	64.1
- instalments		19.4	22.7		
Bank loans - lump sums		-	1.2		
- instalments		4.9	5.4		
Between 2 and 5 years					
Debtentures		13.4	13.0		
Bank loans		11.4	16.9		
Between 1 and 2 years					
Debtentures		4.3	84.0		
Bank loans		2.4	19.4		
		127.3	234.4	62.5	64.1
Aggregate of loans repayable by instalments any of which fall due beyond 5 years					
		47.6	49.4	-	-

Loans of £2.6m (1988 £2.6m) are secured, mainly on fixed assets. Most loans can be repaid at an earlier date at the borrower's option.

NOTES TO THE ACCOUNTS

17. Other creditors - amounts falling due after more than one year

	Group		Company	
	1989	1988	1989	1988
	£m	£m	£m	£m
Company taxation	4.9	12.1	-	-
Other creditors	7.3	8.9	0.2	0.3
Deferred income - capital grants	7.3	9.3	7.2	8.0
	19.5	30.3	7.4	8.3

18. Provisions for liabilities and charges

	1989	Profit and loss account	Other movements	1988
	£m	£m	£m	£m
Group				
Unfunded cost of providing pensions mainly for overseas employees (including £1.3m - 1988 £1.2m-set aside to fund pensions in respect of former directors)	27.2	4.9	(15.6)	37.9
Reorganisation costs	27.1	6.7	(7.6)	28.0
Statutory retirement and severance pay for overseas employees	11.7	2.8	(2.6)	11.5
Deferred tax	19.2	1.0	2.1	16.1
Other provisions	25.7	(3.5)	(6.8)	36.0
	110.9	11.9	(30.5)	129.5
Company				
Deferred tax	6.7	0.9	-	5.8
Restructuring costs	1.6	(0.3)	(1.8)	1.7
Other provisions	5.3	-	(0.2)	5.5
	13.6	0.6	(2.0)	15.0
Group				
	1989	1988	1989	1988
	£m	£m	£m	£m
Deferred tax				
Provisions included in the accounts:				
U.K. capital allowances utilised in excess of depreciation charged	1.2	2.5	1.2	2.5
Other timing differences	22.5	16.9	10.0	6.6
Advance corporation tax recoverable	(4.5)	(3.3)	(4.5)	(3.3)
	19.2	16.1	6.7	5.8
Potential liabilities and recoveries not provided in the accounts:				
U.K. capital allowances utilised in excess of depreciation charged	52.3	43.7	49.0	44.6
Other timing differences	(7.9)	(16.8)	(1.2)	(1.1)
	44.4	31.9	47.8	43.5
Amount of advance corporation tax written off and available for future recovery	(31.2)	(35.8)	(24.2)	(27.3)

NOTES TO THE ACCOUNTS

19. Called up share capital

	1989 £m	1988 £m		
Ordinary shares of 25p each Authorised - 1,000,000,000	250.0	250.0		
Issued and fully paid - 759,055,544 (1988 756,715,274)	189.8	189.2		
	Number of shares	Nominal value £m	Share premium £m	Consid- eration £m
Details of ordinary shares allotted during the year:				
Conversion of U.S.\$625,000 nominal of a subsidiary's convertible bonds	203,755	0.1	0.1	0.2
Exercise of options under the executive share option schemes	1,008,000	0.3	3.4	3.7
Shares issued at par in lieu of dividends	990,869	0.2	(0.2)	-
Shares issued under employee share scheme	137,646	-	0.6	0.6
	2,340,270	0.6	3.9	4.5

The unissued ordinary shares were subject to:

- (i) Options outstanding at the year end and granted in respect of the following executive share option schemes:

Scheme	Options granted	Number of shares	Option price	Exercisable
1982	December 1982	111,000	344 - 350p	up to 21.12.1989
1982	December 1983	219,000	320 - 323p	up to 20.12.1990
1982	December 1984	198,000	379 - 382p	up to 9.12.1991
1984	December 1984	454,000	379p	up to 9.12.1994
1982	July 1985	279,000	305 - 307p	up to 17. 7.1992
1984	July 1985	491,000	307p	up to 17. 7.1995
1982	July 1986	441,000	413p	24. 7.1989 to 21. 7.1993
1984	July 1986	704,000	413p	24. 7.1989 to 21. 7.1996
1982	November 1986	265,230	420p	28.11.1989 to 27.11.1993
1984	Nov./Dec. 1986	398,940	415 - 420p	28.11.1989 to 7.12.1996
1984	January 1987	158,000	441p	1. 1.1990 to 31.12.1996
1982	July 1987	906,000	572 - 580p	20. 7.1990 to 21. 7.1994
1984	July 1987	999,000	572 - 580p	20. 7.1990 to 22. 7.1997
1982	December 1987	24,000	454p	31.12.1990 to 30.12.1994
1984	December 1987	24,000	454p	31.12.1990 to 30.12.1997
1982	July 1988	917,000	476p	20. 7.1991 to 19. 7.1995
1984	July 1988	1,440,000	476p	20. 7.1991 to 19. 7.1998
1984	December 1988	132,000	451p	8.12.1991 to 7.12.1998

Options granted to directors, included above, are shown in note 24.

- (ii) Options outstanding at the year end granted in respect of the 1988 Savings Related Share Option Scheme amount to:

December 1988	1,419,288	419p	1. 3.1994 to 31. 8.1994
December 1988	578,646	419p	1. 3.1994 to 31. 8.1996

NOTES TO THE ACCOUNTS

20. Reserves

	Share premium £m	Re- valuation reserve £m	Other reserves £m	Profit and loss account £m	Related companies' reserves £m	Total reserves £m	1987/88 £m
Group							
At beginning of year:							
As previously reported	272.1	119.9	20.2	879.5	4.6	1,302.3	1,076.3
Prior year adjustment relating to change in accounting policy for goodwill (note 21)	-	-	-	67.9	-	67.9	58.0
As restated	272.1	119.9	20.2	947.4	4.6	1,370.2	1,134.3
Movements in year:							
Profit retained for the year	-	-	-	176.9	2.7	179.6	143.9
Exchange adjustments	-	1.2	-	15.4	(1.0)	15.6	(31.2)
Share premium transfer	(277.5)	-	277.5	-	-	-	-
Premiums on share issues, less expenses	3.9	-	-	-	-	3.9	1.7
Dividends taken in scrip form	-	-	-	4.6	-	4.6	4.2
Goodwill amortisation reinstated on disposals	-	-	-	(5.8)	-	(5.8)	(2.6)
Revaluation reserve	-	(13.4)	-	1.2	-	(12.2)	11.9
At end of year	4.5	107.7	297.7	1,139.7	6.3	1,555.9	1,370.2
Company							
At beginning of year	272.1	55.7	37.2	372.7		743.7	
Movements in year:							
Profit retained for the year	-	-	-	111.5		111.5	
Share premium transfer	(277.5)	-	277.5	-		-	
Premiums on share issues, less expenses	3.9	-	-	-		3.9	
Dividends taken in scrip form	-	-	-	4.6		4.6	
Revaluation reserve	-	(1.5)	-	0.4		(1.1)	
At end of year	4.5	54.2	314.7	489.2		862.6	

The parent company's share premium, revaluation reserve and other reserves are not available for distribution.

The reserves of overseas subsidiary and related companies include £122.5m (1988 £139.1m) which is currently not available for distribution to the parent company due to local statutory, contractual or exchange control restrictions.

Net exchange losses of £8.0m (Group) and losses of £2.2m (Company) on foreign currency loans less deposits have been taken to reserves.

NOTES TO THE ACCOUNTS

20. Reserves continued

No provision has been made for taxation liabilities which would arise on the distribution of profits retained by overseas subsidiary and related companies as, in the main, the profits are permanently employed in the business.

In accordance with the special resolution passed by the shareholders on 27th July, 1988 and confirmed by order of the High Court filed on 10th October, 1988, the share premium account has been reduced by £277.5m. This amount has been transferred to an undistributable special reserve in the company's balance sheet.

21. Goodwill Reserve

Group	1989 £m	1988 £m
Prior year adjustment relating to change in policy	502.4	533.1
Additions	1.1	-
Disposals	(19.8)	(30.7)
Goodwill eliminated carried forward	483.7	502.4

The above amounts represent the gross amounts of goodwill arising on acquisition of businesses (including investments in related companies) stated after allocating appropriate proportions to minority interests and are eliminated against reserves following the change in accounting policy. The amounts of amortisation previously charged against the profit and loss account have been added back to reserves (see note 20).

22. Commitments

	Group		Company	
	1989 £m	1988 £m	1989 £m	1988 £m
Capital expenditure authorised by the directors:				
Committed	26.0	27.8	15.6	11.6
Not yet committed	24.8	32.9	14.2	21.6
	50.8	60.7	29.8	33.2
Lease commitments due, mainly in respect of land and buildings:				
within one year	17.5	15.7	1.2	1.3
between 2 and 5 years	33.2	27.0	2.7	2.4
beyond 5 years	35.6	43.1	5.4	5.4
	86.3	85.8	9.3	9.1

NOTES TO THE ACCOUNTS

23. Contingent liabilities

Contingent liabilities existed at 31st March 1989 in connection with guarantees given by the parent company on behalf of its subsidiaries and other guarantees and contingencies arising in the ordinary course of business. These are not expected to give rise to any material financial loss. In addition, there existed litigation and other potential issues, including U.S. environmental matters, which so far as they are not provided in the accounts, are not considered material to the Group or parent company.

	1989 £m	1988 £m
(i) Amount outstanding against guarantees given by the parent company on behalf of its subsidiaries in respect of their loans	189.3	134.5

	Group		Company	
	1989 £m	1988 £m	1989 £m	1988 £m
(ii) Other contingent liabilities mainly in respect of bills discounted and bank guarantees for which no provision is considered necessary	14.2	20.3	3.9	3.2

NOTES TO THE ACCOUNTS

24. Directors' Interests

The following beneficial interests of the directors in the Group are shown in the register maintained by the company in accordance with the Companies Act 1985:

	Beecham Group p.l.c. ordinary shares		31.3.89	Beecham Group p.l.c. ordinary shares under option* Granted Exercised		
	31.3.89	1.4.88		during year		1.4.88
R.P. Bauman	5,220	5,058	666,174	2,004	-	664,170
J.G. Andress	-	- #	189,000	-	-	189,000 #
A.R.F. Buxton	2,770	1,000	-	-	-	-
Sir Robert Clark	2,453	2,420	-	-	-	-
H.R. Collum	2,500	2,500	172,718	14,718	-	158,000
R.M. Garbar	440	440	55,000	-	40,000	95,000
J.P.B. Hunter	10,160	9,088	159,004	24,004	-	135,000
P. Jackson	1,000	1,000	87,218	18,218	-	69,000
Sir John Kingman	421	409	-	-	-	-
K.R.L. Mansford	10,317	9,245	120,718	27,718	-	93,000
R.P. Tatman	10,709	10,376	139,218	54,218	-	85,000
J. White	500	500	-	-	-	-

Notes:

*The directors held these options under the Group's share option schemes referred to in note 19. Grants made during the year were at option prices in the range 419 - 476p per share and those in previous years were in the range 307 - 579p per share. In accordance with the results of the schemes, the option price in respect of each grant is an average of the market price of the ordinary shares in the five dealing days preceding the date of grant.

#At date of appointment 28th September 1988.

Mr. H.R. Collum had a non-beneficial interest in 2,300 shares (2,300 shares at 1st April 1988). During the period from the end of the financial year to 22nd May 1989, Mr. H.R. Collum's non-beneficial interest reduced by 600 shares.

During the period from the end of the financial year to 22nd May 1989 there were no other changes in any of the above interests.

During or at the end of the financial year no director or connected person had any material interest in any contract of significance, in relation to the Group's business, with a Group company.

NOTES TO THE ACCOUNTS

25. Directors' emoluments

The total emoluments of the directors for the year, including pension contributions, were £3,379,681 (1987/88 £2,786,886) including £78,129 (1987/88 £97,333) in respect of directors' fees. Payments were made to former directors totalling £281,113 (1987/88 £192,171) including £131,113 (1987/88 £92,171) in respect of unfunded pensions.

The table below shows the number of directors, other than those who worked wholly or mainly outside the United Kingdom, whose emoluments during the year, excluding pension contributions, were within the bands stated. Five of the directors (1987/88 four) were directors for part of the year only.

Gross emoluments	Number of directors		Gross emoluments	Number of directors	
	1988/89	1987/88		1988/89	1987/88
5,001 - 10,000	2	-	140,001 - 145,000	-	1
15,001 - 20,000	3	5	145,001 - 150,000	-	1
35,001 - 40,000	-	1	160,001 - 165,000	1	-
45,001 - 50,000	1	-	175,001 - 180,000	1	1
50,001 - 55,000	-	2	190,001 - 195,000	1	-
85,001 - 90,000	-	1	195,001 - 200,000	-	1
115,001 - 120,000	1	1	210,001 - 215,000	1	-
120,001 - 125,000	-	1	255,001 - 260,000	1	-
125,001 - 130,000	1	-	690,001 - 695,000	-	1
135,001 - 140,000	1	-	835,001 - 840,000	1	-

The emoluments of the Chairman included above were £835,755 (1987/88 £693,474)

On 1st September 1988, Mr. J.W. Robb resigned as a Director of the Company but remained an employee under a service agreement. On 28th February 1989, the Company terminated his employment paying him £475,000 by way of damages for premature termination of his contract.

NOTES TO THE ACCOUNTS

26. Employees

The average number of people employed by the Group analysed by the geographical area in which they are located was as follows:

	1988/89	1987/88
United Kingdom	11,400	11,300
Rest of Europe	11,500	11,700
The Americas	7,900	8,400
Rest of the World	4,400	4,400
	35,200	35,800
The total employment costs were	fm	fm
Salaries and wages	472.6	467.7
Social security contributions	81.2	77.5
Pension benefits	25.0	26.1
	578.8	571.3

The reduction in the average number of people was mainly due to the disposal of a number of businesses during 1988/89.

The number of employees of Beecham Group plc who earned more than £30,000 in the year, excluding those who worked wholly or mainly outside the United Kingdom was as follows:

Gross emoluments	Number of employees		Gross emoluments	Number of employees	
	1988/89	1987/88		1988/89	1987/88
30,001 - 35,000	98	69	80,001 - 85,000	5	2
35,001 - 40,000	66	52	85,001 - 90,000	1	1
40,001 - 45,000	45	34	90,001 - 95,000	1	-
45,001 - 50,000	19	15	95,001 - 100,000	6	-
50,001 - 55,000	17	7	105,001 - 110,000	1	-
55,001 - 60,000	10	6	110,001 - 115,000	3	-
60,001 - 65,000	12	7	120,001 - 125,000	1	-
65,001 - 70,000	2	4	130,001 - 135,000	1	-
70,001 - 75,000	6	1	135,001 - 140,000	1	-
75,001 - 80,000	4	-			

NOTES TO THE ACCOUNTS

27. Subsequent Events

On 11th April 1989, the Company entered into an agreement with SmithKline Beckman Corporation ("SmithKline") together with certain related entities. The agreement provided for the reorganisation and merging of certain of the businesses of SmithKline and Beecham. Adoption of the agreement and consummation of the transactions contemplated thereby are subject to shareholder approval and certain other conditions.

As part of the transactions, SmithKline will, immediately prior to the merger, distribute to its shareholders shares in two subsidiaries, cash and preferred stock of SmithKline. Following these distributions, SmithKline and Beecham will become subsidiaries of a newly formed holding company incorporated in Great Britain.

Simultaneously with the execution of the agreement, SmithKline and Beecham entered into agreements to co-promote, subject to the existing rights of third parties certain of each others' respective products. SmithKline also granted Beecham exclusive rights (except as to SmithKline licence and, subject to certain rights previously granted to other parties), to sell under its own trademark over-the-counter cimetidine (the active ingredient in "Tagamet").

A number of class and derivative complaints have been filed by purported shareholders of SmithKline against SmithKline, its directors and Beecham, alleging among other things, violation of fiduciary duty (and, in the case of Beecham, aiding and abetting the same) in connection with (1) negotiating and entering into the agreement to merge SmithKline and Beecham and (2) the adoption by SmithKline of a shareholder rights plan. The complainants seek, among other things, an injunction against the merger and redemption of the shareholder rights plan. The directors of Beecham are of the opinion that, although the outcome of the litigation and proceedings cannot be predicted with any certainty, the ultimate liability, if any, should not have a material adverse effect on the financial position of the Group.

Beecham Group plc

AUDITORS' REPORT

To the members of Beecham Group p.l.c.

We have audited the financial statements on pages 8 to 33 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the Group at 31st March 1989 and the profit and source and application of funds of the Group for the year then ended and have been prepared in accordance with the Companies Act 1985.

Price Waterhouse

Price Waterhouse
Chartered Accountants
Southwark Towers
32 London Bridge Street
London SE1 9SY

23rd May 1989

PRINCIPAL UNITS

Pharmaceuticals

COUNTRY

United Kingdom	Beecham Animal Health Beecham Pharmaceuticals Beecham Products Overseas Beecham Research International Beecham Toiletries and Health Care - U.K.
Australia	Beecham (Australia) Pty. Ltd.*
Austria	Beecham Pharma Ges.m.b.H.
Belgium	Beecham Pharma S.A. Beecham S.A. Fournier N.V./
Brazil	Laboratorios Beecham Ltda.*
Canada	Beecham Canada Inc.* Beecham Laboratories Inc.*
France	Beecham Département Vétérinaire S.A. Beecham Products France S.A. Laboratoires Neolait S.A. Les Laboratoires Beecham S.A./
Greece	Beecham Hellas C.I.S.A.
Ireland	Beecham Laboratories Ltd.* Beecham of Ireland Ltd.*
Italy	Beecham Italia S.p.A. (51%) Società Italo-Britannica L. Maratti-H. Roberts & C. per Azioni (50%)* Dr. Lo Zambelatti S.p.A. (99%)/
Japan	Beecham Yakuhin K.K.

COUNTRY

Malaysia	Beecham Products (Far East) Sdn. Bhd.
Mexico	Beecham Farmaceutica S.A. de C.V.*
Netherlands	Beecham Farma B.V.* Beecham Products B.V.*
New Zealand	Beecham (New Zealand) Ltd*
Nigeria	Beecham Ltd. (40%)
Pakistan	Beecham Pakistan (Private) Ltd (60%)
Portugal	Beecham Portuguesa Productos Farmaceuticos e Quimicos Ida.
Singapore	Beecham (Manufacturing) Singapore Pte. Ltd. Beecham Pharmaceuticals (Pte.) Ltd./
South Africa	Beecham Pharmaceuticals (Pty.) Ltd Beecham South Africa (Pty.) Ltd.
Spain	Laboratorios Beecham S.A./ Zambelatti Espana S.A.*
Switzerland	Beecham A.G.
U.S.A.	Beecham Inc.*/ Beecham Laboratories Beecham Products Norrillif Thayer Inc.*/ Beecham (Venezuela) S.A.*
Venezuela	
West Germany	Beecham-Walfling G.m.b.H. & Co., K.G.*/ Fink G.m.b.H.* Lingner + Fischer G.m.b.H.*/ Beecham (Venezuela) S.A.*

PRINCIPAL UNITS

Consumer Products

COUNTRY

United Kingdom	Beecham Bovril Brands Beecham Products Ltd.# Beecham Products Overseas Beecham Toiletries and Health Care - U.K. Bond Street Cosmetics Ltd.# Bovril Ltd. Horlicks Farms and Dairies Ltd. Horlicks Ltd. Leatheric Honey Ltd.* Yardley & Co. Ltd
Brazil	Laboratorios Beecham Ltda.*
Canada	Beecham Canada Inc.* Bovril Canada Inc.*
Colombia	Yardley of London (Colombiana) S.A.*
Denmark	Beecham-Lanco A/S
France	Beecham Fragrances S.A. Beecham Products France S.A.
Hong Kong	Beecham Products (Hong Kong) Ltd.
India	IPH Ltd. (40%)*
Ireland	Beecham of Ireland Ltd.*
Italy	Beecham Italia S.p.A. (51%) Societa Italo-Britannica L. Manetti-H. Roberts & C. per Azioni (50%) #

COUNTRY

Malaysia	Beecham Products (Far East) Sdn. Bhd.
Mexico	Beecham de Mexico S.A. de C.V.*
Monaco	Lancaster S.A.H.*
Netherlands	Beecham Products B.V.*
Nigeria	Beecham Ltd. (40%)
Singapore	Beecham (Manufacturing) Singapore Pte. Ltd.
South Africa	Beecham South Africa (Pty.) Ltd. Yardley of London (Africa) Pty. Ltd*
Spain	Beecham Cosmetics S.A.* Perfumeria Parera S.A. Williams Hispania S.A. (50%)
U.S.A.	Beecham Inc.*# Beecham Products
Venezuela	Beecham (Venezuela) S.A.*
West Germany	Fink G.m.b.H.* Jill Sander Cosmetics G.m.b.H.* Linger + Fischer G.m.b.H.*# Margaret Astor A.G.* Lancaster G.m.b.H.*

- (i) Equity capital in companies is wholly owned (unless otherwise stated, where the Group's percentage ownership is shown). Investments in companies are held by Beecham Group p.l.c. or, where marked*, by its subsidiaries.
- (ii) The country under which each company appears is both the country of incorporation and of its principal operations.

- (iii) The subsidiaries marked # are those which, in the opinion of the directors, principally affected the amount of the profit or the assets of the Group. In addition to the companies shown in the above list the Group also holds investments in many other subsidiary and related companies; details of all Group companies will be annexed to the Company's next annual return in compliance with Section 231 and Parts I and II of Schedule 5 of the Companies Act 1985.