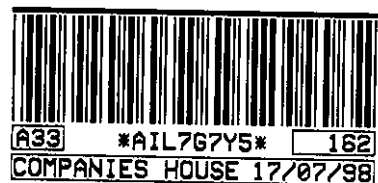


SMITHKLINE BEECHAM (INVESTMENTS) LIMITED
(formerly known as County Laboratories Limited)

Company Number: 302065

REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 1997



SMITHKLINE BEECHAM (INVESTMENTS) LIMITED
(formerly known as County Laboratories Limited)

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SMITHKLINE BEECHAM (INVESTMENTS) LIMITED
(formerly known as County Laboratories Limited)

REPORT OF THE DIRECTORS FOR THE PERIOD ENDED 31 DECEMBER 1997

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

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

The name of the Company was changed from County Laboratories Limited to SmithKline Beecham (Investments) Limited in June 1997.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the period was the receipt of interest on cash deposits. The Directors intend the Company to become an investment company.

REVIEW OF BUSINESS

The Company made a profit after tax for the year of £10,413,000 (1996: £Nil).

RESULTS AND DIVIDENDS

The profit and loss account is shown on page 6. The Directors do not recommend the payment of a dividend for the period (1996: £Nil); the retained profit of £10,413,000 has been transferred to reserves (1996: £Nil).

YEAR 2000

The Company is a wholly owned subsidiary of SmithKline Beecham Group. The Group's plans 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 10.

SMITHKLINE BEECHAM (INVESTMENTS) LIMITED

(formerly known as County Laboratories Limited)

REPORT OF THE DIRECTORS FOR THE PERIOD ENDED 31 DECEMBER 1997 (Continued)

DIRECTORS

The Directors of the Company who served during the period or are now current Directors are as follows:

A R J	Bonfield	appointed 28 May 1997
H R	Collum	appointed 28 May 1997
S T	Crompton	appointed 28 May 1997
N C	Dee	appointed 28 May 1997
A M	Dillon	(formerly A M Horler) resigned 28 May 1997
C A	McClintock	resigned 28 May 1997

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 period end in the shares of the ultimate parent undertaking, SmithKline Beecham plc, have been notified to the Company

Ordinary Shares

	At 31 December 1997	At 31 December 1996*
A R J Bonfield	7,500	5,380
H R Collum	684,028	♣687,272
S T Crompton	17,579	16,922
N C Dee	20,656	23,540

* or date of appointment if later

♣ This figure includes 3,936 (restated) shares in which Mr Collum had a non-beneficial interest

Options over Ordinary Shares

	31 December 1997	Granted	Exercised/ Lapsed	31 December 1996*
A R J Bonfield	125,396	57,600	50,106	117,902
H R Collum	3,154,276	1,199,000	0	1,955,276
S T Crompton	574,408	67,200	60,188	567,396
N C Dee	351,874	52,800	25,000	324,074

* or date of appointment if later

SMITHKLINE BEECHAM (INVESTMENTS) LIMITED

(formerly known as County Laboratories Limited)

REPORT OF THE DIRECTORS FOR THE PERIOD ENDED 31 DECEMBER 1997 (Continued)

DIRECTORS (Continued)

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.

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, to the extent they vest, will be exercisable after 1 January 1999, 1 January 2000 and 1 January 2001 respectively.

Ordinary Shares			
	31 December 1997	Granted	31 December 1996*
A R J Bonfield	23,600	11,600	12,000
H R Collum	166,800	55,600	111,200
S T Crompton	53,400	17,800	35,600
N C Dee	34,800	11,600	23,200
* or date of appointment if later			

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

SMITHKLINE BEECHAM (INVESTMENTS) LIMITED

(formerly known as County Laboratories Limited)

REPORT OF THE DIRECTORS FOR THE PERIOD ENDED 31 DECEMBER 1997 (Continued)

DIRECTORS' RESPONSIBILITIES

The Directors are required by the Companies Act 1985 to prepare financial statements for each year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year.

The Directors consider that in preparing the financial statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

All accounting standards which they consider to be applicable have been followed, subject to any explanations and material departures disclosed in the notes to the financial statements.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

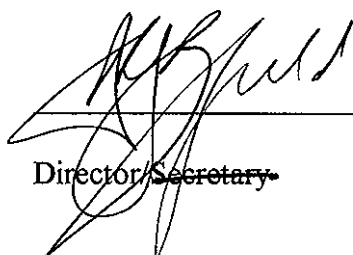
The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

AUDITORS

The Company has adopted the elective regime permitting it to dispense with the requirement to re-appoint auditors annually. Accordingly, Price Waterhouse, who have indicated their willingness to continue in office, shall be deemed to have been re-appointed annually until such time as notice proposing their removal is received.

By order of the Board

A BONFIELD



Director/Secretary

Dated: 14 JULY 1998

SMITHKLINE BEECHAM (INVESTMENTS) LIMITED
(formerly known as County Laboratories Limited)

**AUDITORS' REPORT TO THE SHAREHOLDERS OF SMITHKLINE BEECHAM
(INVESTMENTS) LIMITED**

We have audited the financial statements on pages 6 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of Directors and Auditors

As described on page 4, the Company's Directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion based on our audit, on those statements and 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 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 as at 31 December 1997 and of its result for the period 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

14 July 1998

SMITHKLINE BEECHAM (INVESTMENTS) LIMITED
(Formerly known as County Laboratories Limited)

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1997

		Year ended 31 December	
		1997	1996
	Notes	£'000	£'000
Interest receivable from third parties		<u>15,202</u>	<u>-</u>
Profit on ordinary activities before taxation		<u>15,202</u>	<u>-</u>
Tax on profit on ordinary activities	1	<u>(4,789)</u>	<u>-</u>
Profit for the financial year		<u>10,413</u>	<u>-</u>

The results disclosed above relate entirely to continuing operations.

There were no recognised gains or losses for the period other than those passing through the profit and loss account.

The notes on pages 8 to 10 form an integral part of these financial statements.

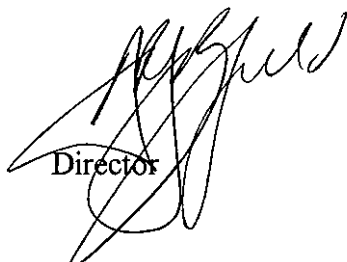
SMITHKLINE BEECHAM (INVESTMENTS) LIMITED
(Formerly known as County Laboratories Limited)

COMPANY BALANCE SHEET

	Notes	1997 £'000	At 31 December 1996 £'000
Current assets			
Debtors:			
Amounts due after more than one year	3	-	940
Amounts due within one year	3	<u>990</u>	<u>-</u>
		990	940
Cash at bank		<u>349,282</u>	<u>-</u>
		350,272	940
Creditors:			
Amounts falling due within one year	4	<u>(4,794)</u>	<u>(6)</u>
Net current assets		<u>345,478</u>	<u>934</u>
Capital and reserves - Equity interests			
Share capital	5	1,454	800
Share premium	5	333,477	-
Profit and loss account	7	<u>10,547</u>	<u>134</u>
Total shareholders' funds	6	<u>345,478</u>	<u>934</u>

Approved by the Board on
14 JULY 1998
and signed on their behalf by:

A BANFIELD



Director

The notes on pages 8 to 10 form an integral part of these financial statements.

SMITHKLINE BEECHAM (INVESTMENTS) LIMITED
(Formerly known as County Laboratories Limited)

ACCOUNTING POLICIES

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

BASIS OF PREPARATION

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

NOTES TO THE FINANCIAL STATEMENTS

1. TAXATION

	1997 £'000	1996 £'000
UK Corporation Tax at 31.5% (1996: 33%)	<u>4,789</u>	<u>—</u>

2. DIRECTORS' EMOLUMENTS AND AUDITORS' REMUNERATION

The Directors are employees of and are remunerated for their services by SmithKline Beecham plc, the ultimate parent undertaking. The Directors received no remuneration from the Company during the year (1996: nil). The auditors' remuneration has been borne in the ultimate parent undertaking, SmithKline Beecham plc.

3. DEBTORS:

Falling due after more than one year:

	1997 £'000	1996 £'000
Amounts owed by Group undertakings	<u>—</u>	<u>940</u>

Falling due within one year:

	1997 £'000	1996 £'000
Amounts owed by Group undertakings	940	—
Other debtors	<u>50</u>	<u>—</u>
	<u>990</u>	<u>—</u>

SMITHKLINE BEECHAM (INVESTMENTS) LIMITED
(Formerly known as County Laboratories Limited)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. OTHER CREDITORS: Amounts falling due within one year

	1997 £'000	1996 £'000
Corporation tax payable	4,794	— 6

5. CALLED UP SHARE CAPITAL

	1997 £'000	1996 £'000
<u>Authorised:</u>		
2,000,000 Ordinary shares of £1 each (1996: 800,000)	2,000	800
<u>Allotted, called up and fully paid:</u>		
1,453,542 Ordinary shares of £1 each (1996: 800,000)	1,454	800

Movement in called up share capital and share premium account:

	Ordinary Shares £'000	Share Premium £'000	Total £'000
At 1 January 1997	800	-	800
Issue of shares	654	333,477	334,131
At 31 December 1997	1,454	333,477	334,931

On 5 June 1997 the Company received a capital injection of £183,351,276 in return for the issue of one share of nominal value £1.

On 12 June 1997 the Company received a further capital injection of £150,778,790 in return for the issue of 653,541 shares of nominal value £1 each.

**6. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS
YEAR ENDED 31 DECEMBER 1997**

	1997 £'000	1996 £'000
Profit for the year	10,413	-
Issue of shares	334,131	-
Net addition to shareholders' funds	344,544	-
Opening shareholders' funds	934	934
Closing shareholders' funds	345,478	934

SMITHKLINE BEECHAM (INVESTMENTS) LIMITED
(Formerly known as County Laboratories Limited)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. RESERVES

	Profit and loss account reserve £'000
At 1 January 1997	134
Retained profit for the year	<u>10,413</u>
At 31 December 1997	<u>10,547</u>

8. CASH FLOW STATEMENT

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

9. CONTINGENT LIABILITY

The Company, together with fellow Group undertakings has entered into a Group Banking arrangement with the Company's principal Bankers. The Bank holds the right to pay and apply funds from any account of the Company to settle any indebtedness to the Bank of any other party to this agreement.

10. 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 of undertakings for which group accounts are prepared, and which include the results of SmithKline Beecham (Investments) Limited, are the consolidated accounts of SmithKline Beecham plc. Copies of the consolidated accounts can be obtained from New Horizons Court, Brentford, Middlesex, TW8 9EP.

11. RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary of SmithKline Beecham Group, 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.