

GLAXO WELLCOME EXPORT LIMITED

REGISTERED NUMBER 2433585

ANNUAL REPORT

AND ACCOUNTS

YEAR ENDED 31 DECEMBER 1999



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GLAXO WELLCOME EXPORT LIMITED

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1999

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GLAXO WELLCOME EXPORT LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 1999

The Directors present their report and the audited financial statements for the year ended 31 December 1999.

Principal Activities

The principal activity of the Company is the promotion and sale overseas of pharmaceutical products purchased from subsidiary undertakings of Glaxo Wellcome plc.

The Company is responsible for the Glaxo Wellcome group's exports from the UK to subsidiary undertakings and third parties. It is also responsible for certain imports from overseas subsidiary undertakings. In support of these sales, the Company bears appropriate related expenses recharged by the Group, including research and development expenses. The Company operates branches overseas.

Business Review and Future Developments

The development of our Company's markets continued throughout 1999, and with emphasis placed on quality, cost effectiveness and new product development the Company expects continuing growth in its business activities.

Results and dividends

An interim dividend of £715,000k (1998: Nil) was paid on 30 June 1999. No final dividend is recommended (1998: Nil)

In submitting the financial statements of the Company and the Auditors' Report for the 12 months ended 31 December 1999, the Directors report that:

£'000

The profit for the year, as shown in the
profit and loss account is

302,126

This compares to a profit of £271,169k in 1998. The amount transferred to reserves, after adjusting for dividends, is a loss of £412,874k (1998: profit of £271,169k).

Payment Policies

The Company operates procedures to ensure suppliers are paid on time. In particular, the Company seeks:

- to settle terms of payment with suppliers when agreeing the terms of the transaction;
- to ensure that suppliers are made aware of the terms of payment; and
- to abide by the terms of payment.

**GLAXO WELLCOME EXPORT LIMITED - REPORT OF THE DIRECTORS FOR THE YEAR
ENDED 31 DECEMBER 1999 (CONTINUED)**

The Company's procedures include arrangements for accelerated payment of certain small suppliers.

Glaxo Wellcome plc, on behalf of its UK subsidiaries, is a signatory to the Better Payment Practice Code of the Better Payment Practice Group, a successor code to the Prompt Payment Code of the Confederation of British Industry. It continues to be the Company's policy to follow the Code in respect of all suppliers. Copies of the Code may be obtained from the Department of Trade and Industry.

The average number of creditor days in relation to trade creditors outstanding at 31 December 1999 was 29 (1998: 47 days).

Directors

The following have served as Directors of the Company during 1999:

Mr J.D. Coombe	(Chairman)
Mr J.S. Heslop	(Director)

Mr J. D. Coombe is a Director of the Company's ultimate parent company, Glaxo Wellcome plc, and his notifiable interests are disclosed in the accounts of that company.

The interests of Mr Heslop in the shares of Glaxo Wellcome plc are as follows:

	<u>Ordinary Shares</u> <u>of 25p each</u>		<u>Options to Purchase Ordinary Shares</u> <u>of 25p each</u>			
	<u>1 Jan</u> <u>1999</u>	<u>31 Dec</u> <u>1999</u>	<u>1 Jan</u> <u>1999</u>	<u>Exercised</u> <u>in Period</u>	<u>Granted in</u> <u>Period</u>	<u>31 Dec</u> <u>1999</u>
Mr J.S. Heslop	0	1,004	7,643	0	17,925	25,568

Additionally Mr Heslop has an interest in 12,963 shares in accordance with the Long Term Incentive Plan of Glaxo Wellcome plc. Details of the plan are disclosed in the Annual Report and Accounts of the ultimate parent company, Glaxo Wellcome plc.

Year 2000

The Company has successfully completed a program of work in preparation for the Year 2000. In addition to work performed by employees of the Company, £104,000 has been spent to date on consultancy fees in respect of Year 2000 compliance. No significant problems have been noted to date, although we continue to monitor Year 2000 risks.

Fixed Assets

Details of the Company's Fixed Assets are given in Note 11 to the Accounts.

**GLAXO WELLCOME EXPORT LIMITED - REPORT OF THE DIRECTORS FOR THE YEAR ENDED
31 DECEMBER 1999 (CONTINUED)**

Post Balance Sheet Event

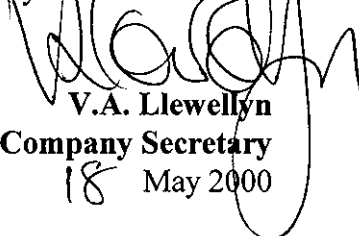
On 17 January 2000, the ultimate parent company, Glaxo Wellcome plc, announced its intention to merge with SmithKline Beecham plc. At present, discussions are underway between the two parties.

Appointment of Auditors

An elective resolution was passed on 24 October 1991 dispensing with the obligation to appoint auditors annually and authorising the Board to fix the remuneration of the auditors in respect of each financial year of the Company. PricewaterhouseCoopers have indicated their willingness to remain as the Company's auditors.

Registered Office:
Glaxo Wellcome House
Berkeley Avenue
Greenford
Middlesex UB6 0NN

By Order of the Board


V.A. Llewellyn
Company Secretary
18 May 2000

GLAXO WELLCOME EXPORT LIMITED

DIRECTORS' STATEMENT OF RESPONSIBILITY

IN RELATION TO THE ACCOUNTS

The Directors are required by UK Company Law to prepare accounts for each financial 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 that period. The Directors confirm that in the preparation of the accounts, suitable accounting policies have been used and consistently applied, and reasonable and prudent judgements and estimates have been made. Applicable accounting standards have been followed and the accounts have been prepared on the going concern basis.

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 accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Board



J. S. Heslop

Director

18 May 2000

GLAXO WELLCOME EXPORT LIMITED

REPORT OF THE AUDITORS

To the members of Glaxo Wellcome Export Limited

We have audited the accounts on pages 8 to 17 which have been prepared under the historical cost convention and the accounting policies set out on pages 10 and 11.

Respective responsibilities of directors and auditors

The Directors are responsible for preparing the Annual Report. As described on page 5, this includes responsibility for preparing the accounts, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the Directors' report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, 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 accounts 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 accounts.

GLAXO WELLCOME EXPORT LIMITED - REPORT OF THE AUDITORS Cont.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

**PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London**

18 May 2000

GLAXO WELLCOME EXPORT LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1999

	<u>Note</u>	<u>1999</u> <u>£'000</u>	<u>1998</u> <u>£'000</u>
Turnover	5	2,003,419	1,852,737
Operating costs	6	<u>1,604,060</u>	<u>1,498,028</u>
Operating profit		399,359	354,709
Interest receivable	9	<u>27,348</u>	<u>38,748</u>
Profit on ordinary activities before tax		426,707	393,457
Tax on profit on ordinary activities	10	<u>124,581</u>	<u>122,288</u>
Profit on ordinary activities after tax		302,126	271,169
Dividend (equity shares)		<u>715,000</u>	<u>-</u>
Retained (loss)/profit for the year		(412,874)	271,169
Retained profit brought forward		<u>573,096</u>	<u>301,927</u>
Retained profit carried forward		<u><u>160,222</u></u>	<u><u>573,096</u></u>

The above results all arise from continuing activities.

There are no recognised gains or losses other than those included in the results above, therefore no separate statement of total recognised gains and losses has been presented.

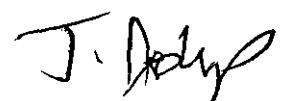
There is no difference between the profit on ordinary activities before taxation and the retained loss for the year stated above, and their historical cost equivalents.

GLAXO WELLCOME EXPORT LIMITED

BALANCE SHEET AT 31 DECEMBER 1999

	<u>Note</u>	<u>1999</u> <u>£'000</u>	<u>1998</u> <u>£'000</u>
Fixed Assets:			
Tangible fixed assets	11	4,487	4,177
Investments		<u>3</u>	<u>3</u>
		<u>4,490</u>	<u>4,180</u>
Current Assets:			
Stocks	12	17,359	14,910
Debtors	13	463,368	969,743
Cash at bank and in hand		<u>30,753</u>	<u>28,297</u>
		511,480	1,012,950
Creditors: amounts falling due within one year	14	(355,747)	(444,033)
Net Current Assets		<u>155,733</u>	<u>568,917</u>
Net Assets		<u>160,223</u>	<u>573,097</u>
Capital and Reserves			
Called up share capital	15	1	1
Profit and loss account		<u>160,222</u>	<u>573,096</u>
Equity Shareholders' Funds	16	<u>160,223</u>	<u>573,097</u>

Approved by the Board


J. S. Heslop
Director
18 May 2000

GLAXO WELLCOME EXPORT LIMITED

NOTES ON THE ACCOUNTS **FOR THE YEAR ENDED 31 DECEMBER 1999**

1. Ultimate Parent Company

The Company is a wholly owned subsidiary undertaking of Glaxo Group Limited, a company registered in England and Wales. The ultimate parent company and controlling party is Glaxo Wellcome plc which is registered in England and Wales. Glaxo Wellcome plc is the parent undertaking of the smallest and largest group to consolidate these accounts. Copies of the accounts of Glaxo Wellcome plc can be obtained from Glaxo Wellcome House, Berkeley Avenue, Greenford, Middlesex UB6 0NN.

2. Basis of Trading

The following trading arrangements are reflected in the accounts:

- (a) In the course of its business, the Company purchases items from fellow subsidiary undertakings for resale to third parties and to other companies in the Glaxo Wellcome group.
- (b) Certain services relating to the activities of the Company, principally in respect of research and development and administration, are provided by other companies in the Glaxo Wellcome group and are charged to the Company on appropriate bases. Certain expenditure is also incurred by the Company on behalf of other Glaxo Wellcome group companies and is charged to those companies as appropriate.

3. Presentation of Accounts

As the Company is a wholly owned subsidiary undertaking of Glaxo Wellcome plc:

- (a) The cash flows of the Company are included in the consolidated cash flow statement of Glaxo Wellcome plc and consequently the Company is exempt under the terms of Financial Reporting Standard No.1 from publishing a cash flow statement.
- (b) The profit and loss account of the Company is included within the consolidated profit and loss account of Glaxo Wellcome plc and consequently the Company is exempt under the terms of Financial Reporting Standard No.8 from disclosing transactions with subsidiaries, associates and joint ventures of the group.

4. Accounting Policies

The accounts have been prepared using the historical cost convention and comply with all applicable UK accounting standards.

GLAXO WELLCOME EXPORT LIMITED - NOTES ON THE ACCOUNTS (CONTINUED)

The following accounting policies are applied:

- (a) Foreign currency assets and liabilities are translated into sterling at the rates of exchange ruling at the balance sheet date. All resulting exchange differences are included in operating costs in the profit and loss account. Foreign currency transactions are converted into sterling using the appropriate exchange rate ruling at the time of the transaction.
- (b) Deferred taxation is calculated using the liability method. Taxation deferred or accelerated by reason of short term and other timing differences is accounted for to the extent that it is probable that liabilities or assets will crystallise.
- (c) Stocks are included in the accounts at the lower of cost and net realisable value.
- (d) Expenditure on research and development is written off as incurred.
- (e) The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition. Tangible fixed assets are stated at cost less a provision for depreciation. Upon disposal of a tangible fixed asset the cost and related accumulated depreciation are removed from the accounts and the net amount, less any proceeds, is taken to the profit and loss account. Depreciation is calculated to write off the cost of tangible fixed assets, excluding freehold land, in equal annual instalments over their expected useful lives. The normal expected useful lives of the major categories of tangible fixed assets are:

Freehold land and buildings	50 years
Plant and machinery	10 years
Fixtures and equipment	4 to 10 years

- (f) Investments are unlisted and are valued at the lower of cost and directors' valuation.
- (g) Rental costs arising under operating leases are charged in the year in which they are incurred. There are no finance leases.
- (h) Overseas employees are covered by local pension arrangements in accordance with local regulations. In addition, the Company participates in schemes for employee retirement benefits which are administered by the ultimate parent company. The cost of providing pension benefits is charged to the profit and loss account on a systematic and rational basis over the period during which benefit is derived from employees' service.

GLAXO WELLCOME EXPORT LIMITED - NOTES ON THE ACCOUNTS (CONTINUED)

5. Turnover

Turnover represents goods invoiced during the period, less trade discounts and excluding value added tax.

Turnover comprises:

	<u>1999</u> <u>£'000</u>	<u>1998</u> <u>£'000</u>
Sales to group companies	1,806,374	1,625,825
Sales to external customers	197,045	226,912
	<u>2,003,419</u>	<u>1,852,737</u>

The geographical analysis of turnover by destination is:

	<u>1999</u> <u>£'000</u>	<u>1998</u> <u>£'000</u>
Europe	1,329,536	1,265,978
Southern Asia and Far East	195,295	201,442
Africa and Middle East	116,248	136,779
North America	264,199	170,437
Latin America	63,562	47,181
Australasia	34,579	30,920
	<u>2,003,419</u>	<u>1,852,737</u>

6. Operating costs

The following are included in operating costs:

	<u>1999</u> <u>£'000</u>	<u>1998</u> <u>£'000</u>
Raw materials, consumables and goods for resale	1,051,112	925,729
Research and development costs charged by fellow subsidiary undertakings	378,798	396,809
Foreign exchange losses/(gains)	458	(542)
Staff costs	12,614	11,561
Depreciation	1,378	1,628
Operating lease rentals for land and buildings	162	385
Operating lease rentals for plant and machinery	24	74
Auditors' remuneration	39	45
Other operating charges	159,475	162,339
	<u>1,604,060</u>	<u>1,498,028</u>

The remuneration of the auditors for provision of non-audit services to the Company was £20,000 (1998: £43,000).

7. Staff Numbers and Costs

Staff engaged in the Company's UK business are employed by Glaxo Wellcome plc and their costs of employment, together with a management fee, are recharged by that company. Staff in the overseas branches are employed by Glaxo Wellcome Export Limited. The average number of persons employed by the Company during the year, excluding Directors, was as follows:

	<u>1999</u>	<u>1998</u>
Selling	381	433
Administration	87	100
Research and development	7	9
UK Administration	<u>40</u>	<u>31</u>
	<u>515</u>	<u>573</u>

The staff costs of these persons, including amounts recharged, were as follows:

	<u>1999</u> <u>£'000</u>	<u>1998</u> <u>£'000</u>
Wages and salaries	11,158	10,425
Social security costs	990	745
Other staff costs, including pensions	<u>466</u>	<u>391</u>
	<u>12,614</u>	<u>11,561</u>

UK Retirement benefits

In 1999 and 1998 no contributions to, or provision for, pensions schemes have been required.

Independent actuaries prepare valuations of the funded defined benefit schemes in the UK at least every three years and, in accordance with their recommendations, annual contributions are paid to the schemes so as to secure the benefits set out in the schemes' rules. The latest actuarial valuation of the schemes was at 31 March 1997 and as a result company contributions to the schemes are currently suspended. Details of the pension schemes and actuarial valuation are given in the accounts of Glaxo Wellcome plc.

In addition to pension benefits, post retirement healthcare benefits are provided to certain former employees in accordance with a scheme run by Glaxo Wellcome plc. Details of the scheme are provided in the accounts of that company.

8. Remuneration of Directors

The Directors of the Company are employed by Glaxo Wellcome plc and are remunerated by that company for their services to that company. They did not receive any emoluments in respect of their services to the Company.

GLAXO WELLCOME EXPORT LIMITED - NOTES ON THE ACCOUNTS (CONTINUED)

9. Interest Receivable

	<u>1999</u> <u>£'000</u>	<u>1998</u> <u>£'000</u>
Interest receivable from group companies	26,031	36,895
Other interest receivable	1,317	1,853
	<u>27,348</u>	<u>38,748</u>

10. Tax on Profit on Ordinary Activities

	<u>1999</u> <u>£'000</u>	<u>1998</u> <u>£'000</u>
On profit for the year :		
UK corporation tax at 30.25% (1998: 31%)	129,706	121,904
Deferred taxation (credit)/charge	(275)	384
Prior year over provision	(4,850)	-
	<u>124,581</u>	<u>122,288</u>

11. Fixed Assets

	<u>Freehold</u> <u>Land and</u> <u>Buildings</u>	<u>Plant and</u> <u>Machinery</u>	<u>Fixtures</u> <u>and</u> <u>Equipment</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Cost at 1 January 1999	30	16	9,340	9,386
Additions	-	-	2,450	2,450
Disposals	-	-	(1,955)	(1,955)
Cost at 31 December 1999	<u>30</u>	<u>16</u>	<u>9,835</u>	<u>9,881</u>
Depreciation at 1 January 1999	7	7	5,195	5,209
Charge for the year	1	1	1,376	1,378
Disposals	-	-	(1,193)	(1,193)
Depreciation at 31 December 1999	<u>8</u>	<u>8</u>	<u>5,378</u>	<u>5,394</u>
Net book value at 31 December 1999	<u>22</u>	<u>8</u>	<u>4,457</u>	<u>4,487</u>
Net book value at 31 December 1998	<u>23</u>	<u>9</u>	<u>4,145</u>	<u>4,177</u>

GLAXO WELLCOME EXPORT LIMITED - NOTES ON THE ACCOUNTS (CONTINUED)

12. Stocks

	<u>1999</u> <u>£'000</u>	<u>1998</u> <u>£'000</u>
Work in progress	-	68
Finished goods	<u>17,359</u>	<u>14,842</u>
	<u>17,359</u>	<u>14,910</u>

The replacement cost of stocks is not materially different from the amount shown above.

13. Debtors

	<u>1999</u> <u>£'000</u>	<u>1998</u> <u>£'000</u>
Amounts falling due within one year:		
Amounts owed by parent company and fellow subsidiary undertakings	359,318	866,547
External trade debtors	98,827	98,173
Other debtors	<u>4,431</u>	<u>4,506</u>
	<u>462,576</u>	<u>969,226</u>

Amounts falling due after one year:

Deferred tax	<u>792</u>	<u>517</u>
	<u>463,368</u>	<u>969,743</u>

The deferred tax asset represents timing differences principally related to bad debt and redundancy provisions. The full potential deferred tax asset at 31 December 1999 was £792,000 (1998: £517,000). The movement in the deferred tax asset of £275,000 has been taken to the profit and loss account.

14. Creditors

	<u>1999</u> <u>£'000</u>	<u>1998</u> <u>£'000</u>
Amounts falling due within one year:		
Trade creditors	5,335	2,330
Amounts owed to parent company and fellow subsidiary undertakings	232,186	327,181
Corporation tax	111,860	105,099
Other creditors and accruals	<u>6,366</u>	<u>9,423</u>
	<u>355,747</u>	<u>444,033</u>

GLAXO WELLCOME EXPORT LIMITED - NOTES ON THE ACCOUNTS (CONTINUED)

15. Share Capital

	<u>1999</u> <u>£</u>	<u>1998</u> <u>£</u>
Authorised:		
5,000 Ordinary Shares of £1 each	<u>5,000</u>	<u>5,000</u>
Allotted, called up and fully paid:		
100 Ordinary Shares of £1 each	<u>100</u>	<u>100</u>

16. Reconciliation of Movements in Shareholders' Funds

	<u>1999</u> <u>£'000</u>	<u>1998</u> <u>£'000</u>
Profit for the financial year	302,126	271,169
Dividend	<u>(715,000)</u>	<u>-</u>
Net addition to shareholders' funds	(412,874)	271,169
Shareholders' funds at start of year	<u>573,097</u>	<u>301,928</u>
Shareholders' funds at end of year	<u>160,223</u>	<u>573,097</u>

17. Contingent Liabilities

	<u>1999</u> <u>£'000</u>	<u>1998</u> <u>£'000</u>
Indemnities, bonds and guarantees given in the ordinary course of business	<u>1,145</u>	<u>1,925</u>

The Company is a guarantor of the bank borrowings of certain other group companies. At the year end the maximum contingent liability in respect of these borrowings amounted to approximately £109,505,000 (1998: £75,813,000). No loss is expected to arise from these contingent liabilities.

18. Operating Lease Commitments

	Land and Buildings		Other	
	<u>1999</u> <u>£'000</u>	<u>1998</u> <u>£'000</u>	<u>1999</u> <u>£'000</u>	<u>1998</u> <u>£'000</u>
Operating lease rentals payable in the next year for leases expiring in:				
- the second to fifth years	-	-	74	74
- more than five years	<u>195</u>	<u>195</u>	<u>-</u>	<u>-</u>
Total	<u>195</u>	<u>195</u>	<u>74</u>	<u>74</u>

GLAXO WELLCOME EXPORT LIMITED - NOTES ON THE ACCOUNTS (CONTINUED)

19. Post Balance Sheet Event

On 17 January 2000, the ultimate parent company, Glaxo Wellcome plc, announced its intention to merge with SmithKline Beecham plc. At present, discussions are underway between the two parties.