

GLAXO WELLCOME EXPORT LIMITED

REGISTERED NUMBER 2433585

ANNUAL REPORT

AND ACCOUNTS

YEAR ENDED 31 DECEMBER 1998



GLAXO WELLCOME EXPORT LIMITED

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1998

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GLAXO WELLCOME EXPORT LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 1998

The Directors present their report and the audited financial statements for the year ended 31 December 1998.

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, including research and development expenses, both in the UK and overseas. The Company operates branches overseas.

Business Review and Future Developments

The development of our Company's markets continued throughout 1998, and with emphasis placed on quality, cost effectiveness and new product development the Company expects continuing growth in its business activities.

Reserves

In submitting the financial statements of the Company and the Auditors' Report for the 12 months ended 31 December 1998, the Directors report that:

	<u>£'000</u>
The profit available for appropriation as shown in the profit and loss account is	271,169

This profit will be fully transferred to Reserves.

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.

The Company's procedures include arrangements for accelerated payment of 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 1998 was 47.

Directors

The following have served as Directors of the Company during the year 1998:

Mr J.D. Coombe	(Chairman)
Mr J.S. Heslop	(appointed a Director on 30 July 1998)
Mr A.J. Mehew	(resigned as a Director on 30 July 1998)

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>Option to Purchase Ordinary Shares</u> <u>of 25p each</u>			
	<u>At date</u> <u>Of Appointment</u>	<u>31 Dec</u> <u>98</u>	<u>At date</u> <u>Of Appointment</u>	<u>Exercised</u> <u>in Period</u>	<u>Granted in</u> <u>Period</u>	<u>31 Dec</u> <u>98</u>
Mr J.S. Heslop	0	0	0	0	7,643	7,643

Additionally Mr Heslop has an interest in 6,504 shares granted on 17 August 1998 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 makes extensive use of, and has a dependency on, computer and microprocessor-based technologies. Many of the Company's business partners, including customers, suppliers and service providers, have a similar dependency.

There is the possibility of computer or equipment malfunction at or before the millennium change, if computer programs or equipment have been programmed to identify a year by two digits ("00") rather than four ("2000"). Given the interdependence of customers, suppliers and service providers, a failure of one business or organisation to be Year 2000 compliant may have a multiplier effect along the supply chain. Therefore the Company cannot assure itself of its own Year 2000 compliance in isolation from its external interfaces.

The business objective is to minimise the risk of business interruption from Year 2000 issues. This requires investigation of the risks, finding and correcting non-compliant hardware and software, working with vendors and other partners in the supply and developing contingency plans.

The Company implemented a programme in 1997 to identify and address the risks to the business from the millennium change. The first phases of the programme, involving analysis of business processes and identification of uncertainties, and the subsequent development of plans to minimise risks, were initiated in the first half of 1997. Since then the Company has moved to translate plans into specific actions; to test processes; to remedy and replace, if necessary, processes or equipment; and if necessary, to re-evaluate risks and to adjust plans. Some business applications are being replaced with new software and hardware as part of their system replacement lifecycle.

Priority has been given to the most critical business processes. Work on these was completed in the first quarter of 1999.

Work completed over the past year has raised the level of awareness of Year 2000 risks. There is increased confidence in the progress made in remediating internal risks, but increased concern as to the exposure to external risks. Collaborations are underway to address, and reduce exposure to, the external risks through assessment of key third parties and the evaluation of their compliance programmes. This area of the Year 2000 programme continues to be a major focus for the Company and ongoing monitoring will take place in 1999. In 1999, the Company intends to focus its efforts on testing of lower priority systems, completing any outstanding remediation, reducing risk from third parties and continuity and transition planning.

The Company estimates the total external cost of addressing Year 2000 issues to be approximately £500,000, of which some £250,000 was spent prior to 31st December 1998. All costs of investigation, remediation and testing are written off as incurred. The costs of computer software for significant new or replacement business systems are capitalised.

The Year 2000 issue has no precedent, with consequent uncertainties as to the scale of the problem, particularly externally to the Company. The Company continues to make every effort to avoid the possibility of business disruption.

Fixed Assets

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

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.

The Company's auditors, Coopers & Lybrand merged with Price Waterhouse on 1 July 1998, following which Coopers & Lybrand resigned as Auditors and the Directors appointed the new firm, PricewaterhouseCoopers, as auditors. 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
June 1999

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. D. Coombe
Chairman
29 June 1999

GLAXO WELLCOME EXPORT LIMITED

REPORT OF THE AUDITORS

To the members of Glaxo Wellcome Export Limited

We have audited the accounts on pages 9 to 17 which have been prepared under the historical cost convention and the accounting policies set out on page 12.

Respective responsibilities of directors and auditors

The Directors are responsible for preparing the Annual Report including, as described on page 6, of the accounts. Our responsibilities, as independent auditors, are established 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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 1998 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

29 June 1999

GLAXO WELLCOME EXPORT LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1998

	<u>Note</u>	<u>1998</u> <u>£'000</u>	<u>1997</u> <u>£'000</u>
Turnover	5	1,852,737	1,708,973
Operating costs	6	<u>1,498,028</u>	<u>1,285,195</u>
Operating profit		354,709	423,778
Net interest receivable	9	<u>38,748</u>	<u>19,897</u>
Profit on ordinary activities before tax		393,457	443,675
Tax on profit on ordinary activities	10	<u>122,288</u>	<u>141,847</u>
Profit on ordinary activities after tax		271,169	301,828
Retained profit brought forward		<u>301,927</u>	<u>99</u>
Retained profit carried forward		<u><u>573,096</u></u>	<u><u>301,927</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.

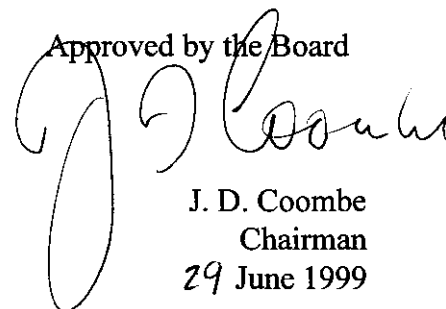
There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

GLAXO WELLCOME EXPORT LIMITED

BALANCE SHEET AT 31 DECEMBER 1998

	<u>Note</u>	<u>31 December</u> <u>1998</u> <u>£'000</u>	<u>31 December</u> <u>1997</u> <u>£'000</u>
Fixed Assets:			
Tangible Fixed Assets	11	4,177	3,829
Investments		<u>3</u>	<u>3</u>
		<u>4,180</u>	<u>3,832</u>
Current Assets:			
Stocks	12	14,910	11,184
Debtors: amounts falling due within one year	13	969,226	557,717
Debtors: amounts falling due after one year	13	517	901
Cash at bank and in hand		<u>28,297</u>	<u>19,210</u>
		1,012,950	589,012
Current Liabilities:			
Creditors (amounts falling due within one year)	14	<u>(444,033)</u>	<u>(290,916)</u>
Net Current Assets		<u>568,917</u>	<u>298,096</u>
Total Assets less Current Liabilities		<u>573,097</u>	<u>301,928</u>
Capital and Reserves			
Called up share capital	15	1	1
Profit and loss account	16	<u>573,096</u>	<u>301,927</u>
Equity Shareholders' Funds	17	<u>573,097</u>	<u>301,928</u>

Approved by the Board



J. D. Coombe
Chairman
29 June 1999

GLAXO WELLCOME EXPORT LIMITED

NOTES ON THE ACCOUNTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 1998

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. 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.

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. Foreign currency transactions are converted into sterling using the appropriate exchange rate ruling at the time of the transaction. All resulting exchange differences are included in operating costs in the profit and loss account.
- (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.
- (f) 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
- (g) Investments are unlisted and valued at cost.
- (h) Rental costs arising under operating leases are charged in the year in which they are incurred. There are no finance leases.
- (i) Overseas employees are covered by local pension arrangements in accordance with local regulations. 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. There are no UK employees.

5. Turnover

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

Turnover comprises:

	<u>1998</u> <u>£'000</u>	<u>1997</u> <u>£'000</u>
Sales to group companies	1,625,825	1,506,127
Sales to external customers	<u>226,912</u>	<u>202,846</u>
	<u>1,852,737</u>	<u>1,708,973</u>

The geographical analysis of turnover by destination is:

Europe	1,265,978	1,150,245
Southern Asia and Far East	201,442	227,011
Africa and Middle East	136,779	113,342
North America	170,437	135,009
Latin America	47,181	48,116
Australasia	<u>30,920</u>	<u>35,250</u>
	<u>1,852,737</u>	<u>1,708,973</u>

6. Operating costs

The following are included in operating costs:

	<u>1998</u> <u>£'000</u>	<u>1997</u> <u>£'000</u>
Raw materials, consumables and goods for resale	925,729	823,231
Research and development costs charged by fellow subsidiary undertakings	396,809	358,460
Foreign exchange (gains)/losses	(542)	959
Staff costs	9,018	5,232
Depreciation	1,628	1,552
Operating lease rentals for land and buildings	385	212
Operating lease rentals for plant and machinery	74	-
Auditors' remuneration	45	30
Other operating charges	<u>164,882</u>	<u>95,519</u>
	<u>1,498,028</u>	<u>1,285,195</u>

The remuneration of the auditors for provision of non-audit services to the Company was £52,000 (1997: £43,000). The non audit fees of £52,000 were paid solely to Coopers & Lybrand with no payments to Price Waterhouse prior to the date of appointment of PricewaterhouseCoopers as auditors. Non audit fees in 1997 were also solely paid to Coopers & Lybrand.

7. Staff Numbers and Costs

The average number of persons employed by the Company during the year, excluding Directors, was as follows:

	<u>1998</u> <u>£'000</u>	<u>1997</u> <u>£'000</u>
Selling	433	291
Administration	100	78
Research and development	9	8
	<u>542</u>	<u>377</u>

The staff costs of these persons were as follows:

	<u>1998</u> <u>£'000</u>	<u>1997</u> <u>£'000</u>
Wages	7,943	4,514
Social security costs	685	579
Other staff costs, including pensions	390	139
	<u>9,018</u>	<u>5,232</u>

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.

9. Net Interest Receivable

	<u>1998</u> <u>£'000</u>	<u>1997</u> <u>£'000</u>
Interest receivable from group companies	36,895	18,996
Other interest receivable	1,853	901
	<u>38,748</u>	<u>19,897</u>

10. Tax on Profit on Ordinary Activities

	<u>1998</u> <u>£'000</u>	<u>1997</u> <u>£'000</u>
On profit for the year		
UK corporation tax at 31% (1997 – 31.5%)	121,904	140,531
Deferred taxation charge/(credit)	384	(200)
Prior year charge	-	1,516
	<u>122,288</u>	<u>141,847</u>

11. Fixed Assets

	<u>Freehold</u> <u>Land and</u> <u>Buildings</u> <u>£'000</u>	<u>Plant and</u> <u>Machinery</u> <u>£'000</u>	<u>Fixtures</u> <u>and</u> <u>Equipment</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
Cost at 1 January 1998	30	16	7,976	8,022
Additions	-	-	2,165	2,165
Disposals	-	-	(1,290)	(1,290)
Other movements	-	-	489	489
Cost at 31 December 1998	<u>30</u>	<u>16</u>	<u>9,340</u>	<u>9,386</u>
Depreciation at 1 January 1998	6	6	4,181	4,193
Charge for the year	1	1	1,626	1,628
Disposals	-	-	(1,025)	(1,025)
Other movements	-	-	413	413
Depreciation at 31 December 1998	<u>7</u>	<u>7</u>	<u>5,195</u>	<u>5,209</u>
Net book value at 31 December 1998	<u>23</u>	<u>9</u>	<u>4,145</u>	<u>4,177</u>
Net book value at 31 December 1997	<u>24</u>	<u>10</u>	<u>3,795</u>	<u>3,829</u>

12. Stocks

	<u>31/12/98</u> <u>£'000</u>	<u>31/12/97</u> <u>£'000</u>
Work in progress	68	174
Finished goods	14,842	11,010
	<u>14,910</u>	<u>11,184</u>

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

13. Debtors

	<u>31/12/98</u>	<u>31/12/97</u>
	<u>£'000</u>	<u>£'000</u>
Amounts falling due within one year:		
Amounts owed by parent company and fellow subsidiary undertakings	866,547	470,405
External trade debtors	98,173	83,739
Other debtors	4,506	3,573
	<u>969,226</u>	<u>557,717</u>
Amounts falling due after one year:		
Deferred tax	<u>517</u>	<u>901</u>

External trade debtors at 31 December 1998 include £3,078,000 (1997: £1,494,000) due from group associated undertakings.

The deferred tax asset represents timing differences principally related to bad debt and redundancy provisions. The full potential deferred tax asset at 31 December 1998 was £517,000 (1997: £901,000). The movement in the deferred tax asset of £384,000 has been taken to the profit and loss account.

14. Creditors

	<u>31/12/98</u>	<u>31/12/97</u>
	<u>£'000</u>	<u>£'000</u>
Amounts falling due within one year:		
Trade creditors	2,330	3,147
Amounts owed to parent company and fellow subsidiary undertakings	327,181	191,403
Corporation tax	105,099	88,277
Other creditors and accruals	9,423	8,089
	<u>444,033</u>	<u>290,916</u>

15. Share Capital

	<u>31/12/98</u>	<u>31/12/97</u>
	<u>£</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. Reserves

	<u>1998</u> <u>£'000</u>	<u>1997</u> <u>£'000</u>
Profit and loss account		
At 1 January	301,927	99
Retained profit for the period	<u>271,169</u>	<u>301,828</u>
At 31 December	<u>573,096</u>	<u>301,927</u>

17. Reconciliation of Movements in Shareholders' Funds

	<u>1998</u> <u>£'000</u>	<u>1997</u> <u>£'000</u>
Retained profit for the year	271,169	301,828
Shareholders' funds at start of year	301,928	100
Shareholders' funds at end of year	<u>573,097</u>	<u>301,928</u>

18. Contingent Liabilities

	<u>31/12/98</u> <u>£'000</u>	<u>31/12/97</u> <u>£'000</u>
Indemnities, bonds and guarantees given in the ordinary course of business	<u>1,925</u>	<u>2,548</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 £75,813,000 (1997: £47,100,000).

19. Operating Lease Commitments

	<u>Land and Buildings</u>		<u>Other</u>	
	<u>31/12/98</u> <u>£'000</u>	<u>31/12/97</u> <u>£'000</u>	<u>31/12/98</u> <u>£'000</u>	<u>31/12/97</u> <u>£'000</u>
Operating lease rentals payable in the next year for leases expiring in:				
- the second to fifth years	-	-	74	-
- more than five years	195	195	-	-