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Glaxo Wellcome

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GlaxoWellcome

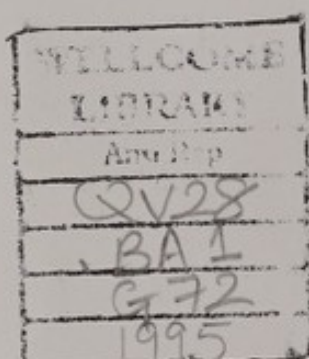




To Glaxo plc

Following the acquisition of Wellcome plc, the Company changed its name to Glaxo Wellcome plc on 1st May 1995, having previously changed its name from Glaxo Holdings p.l.c. to Glaxo plc on 1st January 1995.

The Company has changed its financial year end from 30th June to 31st December. This Annual Report and Accounts covers the 18 months from 1st July 1994 to 31st December 1995.



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Glaxo Wellcome plc

Annual Report and Accounts

for the 18 months ended

31st December 1995

INFORMATION SERVICES

07 AUG 1996

Wellcome Centre for Medical Science

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Financial Highlights

	Glaxo Wellcome Before integration £m	18 months to 31.12.95 (audited) Glaxo Wellcome Total £m	12 months to 31.12.95 (unaudited) Glaxo Wellcome £m	12 months to 31.12.94 (unaudited) Glaxo £m	12 months to 30.6.94 (audited) Glaxo £m
Sales	10,490	10,490	7,638	5,705	5,656
Trading profit before integration costs	3,597	3,597	2,581	1,907	1,817
Integration costs	—	(1,215)	—	—	—
Trading profit after integration costs	3,597	2,382	2,581	1,907	1,817
Net (interest payable)/investment income	(87)	(87)	(136)	(3)	21
Profit before taxation	3,602	2,387	2,505	1,934	1,835
Tax rate	30.5%	36.3%	30.7%	29.4%	28.5%
Profit for the period/Net income	2,443	1,458	1,702	1,331	1,299
Earnings per Ordinary Share	74.6p	44.5p	50.3p	43.6p	42.7p
Dividends per Ordinary Share	45.0p	45.0p	30.0p	28.0p	27.0p

Wellcome plc is consolidated in the results from 16th March 1995.

The results for the 12 months to 30th June 1994 have been restated for the change of accounting policy described in Note 3 on the Accounts.

In view of the change in financial year end from 30th June to 31st December, the results before integration for the 18 months to 31st December 1995 and the 12 months to 30th June 1994 have been presented on a calendar basis for both 1995 and 1994 to provide a more useful comparison of business performance. The dividend shown for 1995 is two thirds of the total dividend for the 18 month period to 31st December 1995. The dividend shown for 1994 is the combination of the final dividend for the year to 30th June 1994 and the first interim dividend in respect of the six months to 31st December 1994.

Chairman's Statement



When I reported to shareholders last September, I explained that the Board had adopted 31st December as its year end and that the financial reporting period had been extended to 31st December 1995. Consequently, this Annual Report and Accounts covers the 18 month period from 1st July 1994 to 31st December 1995.

During this time there has been substantial change both in our Company and in the pharmaceutical industry generally. In acquiring Wellcome plc, your Board had a clear strategic goal – that of sustaining and enhancing the Company's position as a pre-eminent research-based provider of innovative medicines and services. The task of integrating Glaxo and Wellcome has proceeded efficiently and speedily and in his review, Sir Richard Sykes, our Deputy Chairman and Chief Executive, comments upon the development of the new organisation and the progress which it is making.

The results for the period, summarised in the Financial Highlights opposite, reflect the achievement of management and staff in meeting the Group's financial objectives. Earnings for the 18 months to 31st December 1995, which includes Wellcome plc from the date of acquisition on 16th March 1995, were 74.6p per Ordinary Share before integration costs. Adjusting to a calendar year basis, which will be our financial cycle in future, earnings attributable to the 12 months to 31st December 1995 before integration costs were 50.3p per Ordinary Share. Allowing for the 18 month period, this represents significant growth over the Earnings per Ordinary Share of 42.7p for Glaxo alone in the previous financial year to 30th June 1994. These results are in line with the prediction that we made at the time of the offer for Wellcome plc that the opportunities and efficiencies from the enlarged Group would enhance earnings.

On the basis of these results the Board is proposing a final dividend of 15p per Ordinary Share. This represents a total of 45p per Ordinary Share for the 18 months, equivalent to 30p per Ordinary Share on an annualised basis. This is consistent with the Board's stated intention that the change of year end will not work to the disadvantage of shareholders in terms of total income received in any 12 month period. As a result of the change of year end the 1996 Annual General Meeting will be held on Thursday 16th May, and, if approved by the shareholders at that meeting, the final dividend will be paid to Ordinary Shareholders on 20th May 1996 (30th May 1996 to ADR holders).

It is part of my duty as Chairman to ensure that the Board implements proper procedures for corporate governance and remuneration of Directors. I can report that the composition of our Board and of its committees complies with the principles of the Code of Best Practice set out in the Cadbury Report. Our Board remuneration policies and the related disclosures in this Report conform with those recommendations of the Greenbury Committee that have been adopted by the London Stock Exchange as rules for listed companies.

Recognising the changes in the Company and in the business environment, we have put in place during 1995 new annual bonus and long term incentive plans for the Executive Directors. These arrangements are described in the Report of the Remuneration Committee on page 74. This Report also sets out in detail the remuneration of each Director. Our business objective is to be a leader in the world pharmaceutical industry: our remuneration policies are designed to ensure that we attract and retain the talent to attain that objective.

Last September I reported on the many changes which had taken place in the composition of the Board since 1st July 1994. Since then Mr John H McArthur has

been appointed as a Non-Executive Director with effect from 5th March 1996. As former Dean of the Harvard Business School, with extensive academic and commercial experience, Mr McArthur has much to contribute to our affairs.

The size of this Report reflects the increasing amount of information which must now be disclosed in accordance with best practice. Some of this is particular to this period, such as the accounting disclosures on acquisitions required under various accounting standards. But we have also taken advantage of this opportunity to convey something of the spirit of Glaxo Wellcome, its philosophy, product diversity and global reach.

The Company is being positioned to remain a world leader in the fast changing healthcare market. Unlike a number of our competitors who have sought vertical integration or diversified into a wider range of healthcare services, we remain focused on our core competence of research-based medicines. This is our strategy for the development of the business into the next century with enhancement of shareholder value.

With the integration well nigh complete, our management and staff are applying themselves to building the business of Glaxo Wellcome for the medium to long term. I am confident that they will do so with great skill, enthusiasm and energy. On behalf of the Board, I thank them for their enormous efforts to accomplish this highly successful integration and for their continuing deep commitment to the achievement of our corporate mission.

A stylized, handwritten signature in dark ink, appearing to read 'C. R. C.' followed by a flourish.

Sir Colin Corness
Chairman

Board of Directors

Board Committee membership is indicated by the following symbols:

- ^a Audit Committee
- ^b Group Appeals Committee
- ^c Remuneration Committee

Top row, left to right

Middle row, left to right

Bottom row, left to right

^{ac} **Sir Colin Corness Age 64**

Appointed a Non-Executive Director in 1994 and Chairman in 1995. A Non-Executive Director of the Nationwide Building Society (Chairman since 1991), Chubb Security Plc and Union Camp Corporation. Formerly Chairman of Redland PLC and a member of The Court of the Bank of England.

Sir Richard Sykes DSc 53

Appointed an Executive Director in 1987 with responsibility for Research and Development. Appointed Deputy Chairman and Chief Executive in 1993. Also responsible for Japan.

^c **Anne Armstrong 68**

Appointed a Non-Executive Director in 1991. A Director of American Express, Boise Cascade, General Motors and Halliburton. Formerly US ambassador to the UK.

^a **Derek Bonham 52**

Appointed a Non-Executive Director in 1995. Deputy Chairman and Chief Executive of Hanson PLC having joined that company in 1971 as Deputy Financial Controller.

James Cochrane 51

Appointed an Executive Director in 1995. Responsible for Commercial Development. Previously European Operations Director for Wellcome plc, joining the board of that company in 1990. A Non-Executive Director of Spirax-Sarco Engineering PLC.

John Coombe 50

Appointed an Executive Director in 1992. Responsible for Finance and Information Technology. Joined Glaxo in 1986 as Group Financial Controller.

^{bc} **Donald Derx CB 67**

Appointed a Non-Executive Director in 1991. Formerly Glaxo's Head of Group Corporate Affairs from 1986 to 1990.

^{ac} **Lord Howe of Aberavon PC, QC 69**

Appointed a Non-Executive Director in 1991. Formerly Chancellor of the Exchequer and Secretary of State for Foreign and Commonwealth Affairs. A Non-Executive Director of BICC plc.

Robert Ingram 53

Appointed an Executive Director in 1995. Responsible for The Americas. Joined Glaxo's US operation, Glaxo Inc., in 1990 and became its President and Chief Executive Officer in 1994.

^a **Lord Kingsdown KG, PC 69**

Appointed a Non-Executive Director in 1993. Formerly Governor of the Bank of England. A Director of Redland PLC, Hambros plc and Foreign and Colonial Investment Trust p.l.c.

^b **Sean Lance 48**

Appointed an Executive Director in 1993. Responsible for Europe, Africa, Middle East, Asia Pacific and Technical Operations. Joined Glaxo's South African operation, Glaxo South Africa Pty Limited, in 1985 as Managing Director.

John McArthur 61

Appointed a Non-Executive Director in March 1996. Recently retired as Dean of the Harvard Business School. A Director of BCE Inc, Cabot Corporation, Chase Manhattan Corporation, Partners Healthcare System Inc., Rohm & Haas Company, Springs Industries Inc. and The Vincam Group Inc.

Dr James Nield 51

Appointed an Executive Director in 1995. Responsible for Research and Development. Joined Glaxo's US operation, Glaxo Inc., in 1988 and the board of that company in 1992.

^{bc} **Professor Sir Richard Southwood FRS, Hon FRCP 64**

Appointed a Non-Executive Director in 1992. Formerly Vice-Chancellor of Oxford University and Chairman of the National Radiological Protection Board. Has served on a number of governmental and other committees, including the Advisory Board for the Research Council and the Tropical Medicine Panel of The Wellcome Trust.

Jeremy Strachan 51

Appointed an Executive Director in 1992. Responsible for Legal and Corporate Affairs. Joined Glaxo in 1986 as Director of Group Legal Services.



Chief Executive's Statement

1995 saw the creation of Glaxo Wellcome plc, the world's largest pharmaceutical company. By the end of the year, the new Company had taken a number of important steps towards meeting the objectives set out for shareholders at the time of the acquisition of Wellcome.

As we review the early trading performance, it is worth reminding ourselves of the background to the acquisition in the context of the great changes which have been taking place in the healthcare environment in recent years. New technologies resulting from advances in cellular biology and molecular genetics create the potential for tremendous improvements in healthcare, but at a cost. Helped by technological advances already available to us, people are living longer and the cost of healthcare is rising. Governments are understandably looking for ways of containing or reducing the healthcare bill. Even though medicines are a small part of the overall cost of healthcare, they are a target for savings and the pressures on the pharmaceutical business have therefore mounted. With pressure on world prices restricting the ability to cover rising costs, a highly fragmented pharmaceutical industry began to restructure and consolidate.

Glaxo resolved to be at the head of the process, not to be dragged along by it. We recognised that the successful pharmaceutical company of the future must have scale and strength in research and development, sales, product range and services. Wellcome was a good fit for us, with a similar culture based on science, sound research, a complementary range of products and high quality staff.

By combining the resources, products and skills of both companies, we have been able to create a new company with a powerful and well-balanced portfolio of medicines. The potential is evident from the sales figures for Glaxo Wellcome products in the calendar year to 31st December 1995. The year on year growth of 43 per cent in sales of the new products substantially outweighed the decline in sales of *Zantac* as it approaches patent expiry. The 16 new products in nine therapeutic areas which have been launched by Glaxo, Wellcome and Glaxo Wellcome since 1990 contributed over £1.3 billion in combined annual sales, 17 per cent of the total Group turnover. Among these products, *Serevent*, *Flixonase* and *Flixotide* led the exceptional growth of 20 per cent in the respiratory area. The successful launch of *Imitrex* tablets in the USA and the encouraging growth of *Lamictal* for epilepsy, also now launched in the USA, meant that our central nervous system therapy area grew by 31 per cent. A clear example of the product synergy to be achieved by bringing the two companies together was provided by the launch in the United States of *Epivir* in combination with *Retrovir* for the treatment of HIV/AIDS. Early indications show a rapid acceptance of this combination, by patients and doctors alike, as the new cornerstone of therapy in this area.

During calendar year 1995, despite the inevitable distractions of the integration process, the Group filed 29 regulatory submissions around the world. In the same period 14 significant approvals for marketing were granted, including *Epivir* in the USA; *Pylorid* in the UK for the eradication of *Helicobacter pylori* and the treatment of peptic ulcers; the over-the-counter versions of *Zantac* in Europe and the USA; *Valtrex* for shingles and genital herpes in the USA and for genital herpes in the UK; and *Nimber*, a new generation neuromuscular blocker, in the UK and USA. We were also pleased to gain approval in the UK for the asthma treatment *Flixotide* in the new *Diskus* delivery system. Awaiting worldwide approval are a new anaesthetic, remifentanyl, and new formulations for *Imigran/Imitrex*. In the important US market, *Flovent/Flixotide* for asthma and *Tritec* for the eradication of *Helicobacter pylori* are also expected to be approved in 1996. Before the end of 1996 we plan to file 20 major regulatory submissions, including troglitazone for diabetes, naratriptan for migraine, *Wellbutrin SR* – a non-nicotine product for smoking cessation – and *Malarone*, a promising treatment for malaria.

The integration process has involved a radical review of all the activities carried out by Glaxo and Wellcome. This review has been conducted with objectivity and fairness, and with as much speed as a comprehensive appraisal of the options would allow. We are on target to achieve the objective, announced last September, of making cost savings, as a result of the integration, of £700 million a year by the end of 1998. While the review has been very demanding for all our managers and staff, it has been recognised throughout the new organisation as providing an unparalleled opportunity to create a pharmaceutical company to meet the challenges of the new millennium.



Research and development will continue to be the engine which drives our Company. Our commitment to it has been vividly demonstrated during the year. Our purchase in March 1995 of Affymax N.V. gives us access to leading edge technologies for the rapid synthesis and screening of new molecules which are already being applied throughout the organisation. The opening in April 1995 by Her Majesty the Queen of the Medicines Research Centre at Stevenage, in which we have invested £700 million, provides us with unrivalled facilities for the discovery of new medicines. And in November 1995, following a rigorous review of the Glaxo and Wellcome R&D portfolio, we unveiled our new pipeline of 50 major research projects and over 90 development projects. By bringing the portfolios together, concentrating resources on the most promising projects, and introducing a streamlined organisational structure, we expect to achieve substantially improved productivity and efficiency, with total spending on R&D in 1996 estimated to be £1.2 billion.

Our manufacturing and supply operations have also been examined critically and are being restructured, with each site given a clearly defined role and unnecessary duplication of activities removed. This will enable us to improve efficiency while maintaining the highest standards of excellence in this crucial area of the business.

What of the outlook? The potential that exists in our new products – those already marketed and those yet to be launched – coupled with the potential which we see already being released in the emerging markets such as Poland, Brazil and the People's Republic of China, gives us an increasingly strong base from which to manage the inevitable decline of *Zantac*, whose very success over 15 years has generated concern over the impact of its future performance on our business. However the creation of Glaxo Wellcome has significantly altered the nature of this management challenge. *Zantac's* sales, which were 43 per cent of the turnover of Glaxo in the year to 30th June 1994, now represent just 28 per cent of the turnover of Glaxo Wellcome. The future of the Company is vested in the performance of the new products, and it is there that the greater part of the combined energies of the management team and our worldwide staff will be concentrated.

It is a great tribute to our staff that they have succeeded in creating a vibrant new organisation while advancing our business performance in an increasingly competitive marketplace. Their quality and commitment demonstrates that the Company is well placed to meet the challenges that lie ahead.

Sir Richard Sykes
Deputy Chairman and Chief Executive

Group Executive Committee



The Group Executive Committee is responsible for the executive management of Glaxo Wellcome.

Clockwise from the left

Ken Windle
Regional Director, Asia Pacific

Dr Joe Blaker
Group Technical Director

Dr James Nidel
Research and Development

George Morrow
Group Vice President,
US Commercial Operations

Jeremy Strachan
Legal and Corporate Affairs

John Coombe
Finance and Information Technology

Sean Lance
Europe, Africa, Middle East,
Asia Pacific and Technical Operations

James Cochrane
Commercial Development

Robert Ingram
The Americas

Jacques Lapointe
Managing Director,
UK Commercial Operations and
Regional Director, Australia,
South Africa and New Zealand

Sir Richard Sykes DSc
Deputy Chairman and Chief Executive

Not pictured

Chris Adam
President, Nippon Wellcome K.K., Japan

The Mission Statement

The integration of Glaxo and Wellcome has created the world's largest pharmaceutical company. Our mission statement defines the key elements of Glaxo Wellcome and on the following pages we explain in more detail how the individual elements combine to drive our thinking and our actions.

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Page 12

Glaxo Wellcome is a research-based company

Page 14

whose people are committed to fighting disease

Page 16

by bringing innovative medicines and services

Page 18

to patients throughout the world and

Page 20

to the healthcare providers who serve them.

Glaxo Wellcome is a research-based company whose people are committed to fighting disease by bringing innovative medicines and services to patients throughout the world and to the healthcare providers who serve them.





Scientists at the Medicines Research Centre, Stevenage, UK, discuss a drug discovery programme for the treatment of arthritis. Their fields of expertise embrace medicinal chemistry, pharmacology, molecular biology and drug metabolism.

The integration of Glaxo and Wellcome has created the world's largest pharmaceutical research resource.

Glaxo Wellcome has the largest share of the world market for prescription medicines. We have operating companies in some 70 countries and at 31st December 1995 employed over 54,000 people. We offer an extensive portfolio of products to our customers that we are committed to maintaining and developing.

But size alone, while crucial in today's market, can never guarantee continuing success.

One of our biggest strengths is the fact that we are a new organisation, created specifically in response to the changing commercial and scientific climate. As a business, we are building not only on the factors that made us successful in the past but on an understanding of what is required of us in the future.

Our mission statement is the result of intense collaboration among our senior management worldwide. It defines how we see ourselves and the role we play in healthcare.

In pursuit of our mission we have focused on five clear goals against which we can measure our performance. The goals of Glaxo Wellcome are to:

- provide superior returns to our shareholders;
- achieve consistent improvement in the performance of the business;
- attain sustainable leadership in all our selected areas of therapy while increasing our overall market share globally;
- build a learning organisation that fully realises the potential of all our resources – our people, technology, information and capital;
- be recognised as the world's premier healthcare company.

To meet those goals, we have established clear corporate strategies:

- to sustain long term investment in science and technology;
- to enhance continuously the skills of our employees and promote the sharing of best practice from both internal and external sources;
- to form partnerships and alliances to maximise capabilities in all parts of the business;
- to maintain cost efficiency and productivity improvement programmes;
- to focus on the needs of patients to help them live healthier, more productive and longer lives.

In implementing these strategies, we will be guided – as individuals as well as an organisation – by a declared set of values. We are committed, for example, to conducting all aspects of our business with integrity and honesty, to aspiring to excellence in everything we do, and to promoting mutual trust and respect throughout the Group.

We are confident that the sense of purpose and clarity of direction provided by our mission, goals, strategies and values will mobilise the talents within Glaxo Wellcome to the benefit of patients, healthcare providers and shareholders.

Glaxo Wellcome is a research-based company whose people are committed to fighting disease by bringing innovative medicines and services to patients throughout the world and to the healthcare providers who serve them.

The acquisition of California based Affymax, a leader in the emerging field of combinatorial chemistry, has further strengthened Glaxo Wellcome's capabilities in drug discovery. Engineer Gloria Cheng checks the operation of equipment used by Affymax to create new molecules with the potential to combat disease.

The process of discovering, developing and commercialising new pharmaceutical compounds is fundamental to the Group's mission and future success.

Glaxo Wellcome has the scientific resources and expertise to be at the forefront of innovation in pharmaceuticals. We are investing strongly to maintain that expertise and to lead in the adoption of new tools and techniques to enhance discovery.

Glaxo Wellcome dedicates £1.2 billion a year to research and development at facilities in the UK, USA, Japan, Italy, Canada, Switzerland, France, Spain and Singapore. These centres of excellence provide us with immediate access to advances in science around the world.

The opening of the Medicines Research Centre at Stevenage in the UK demonstrated our belief that research is the key to adding value for customers and shareholders. As well as incorporating the latest technology, Stevenage has been designed to allow research groups to interact freely.

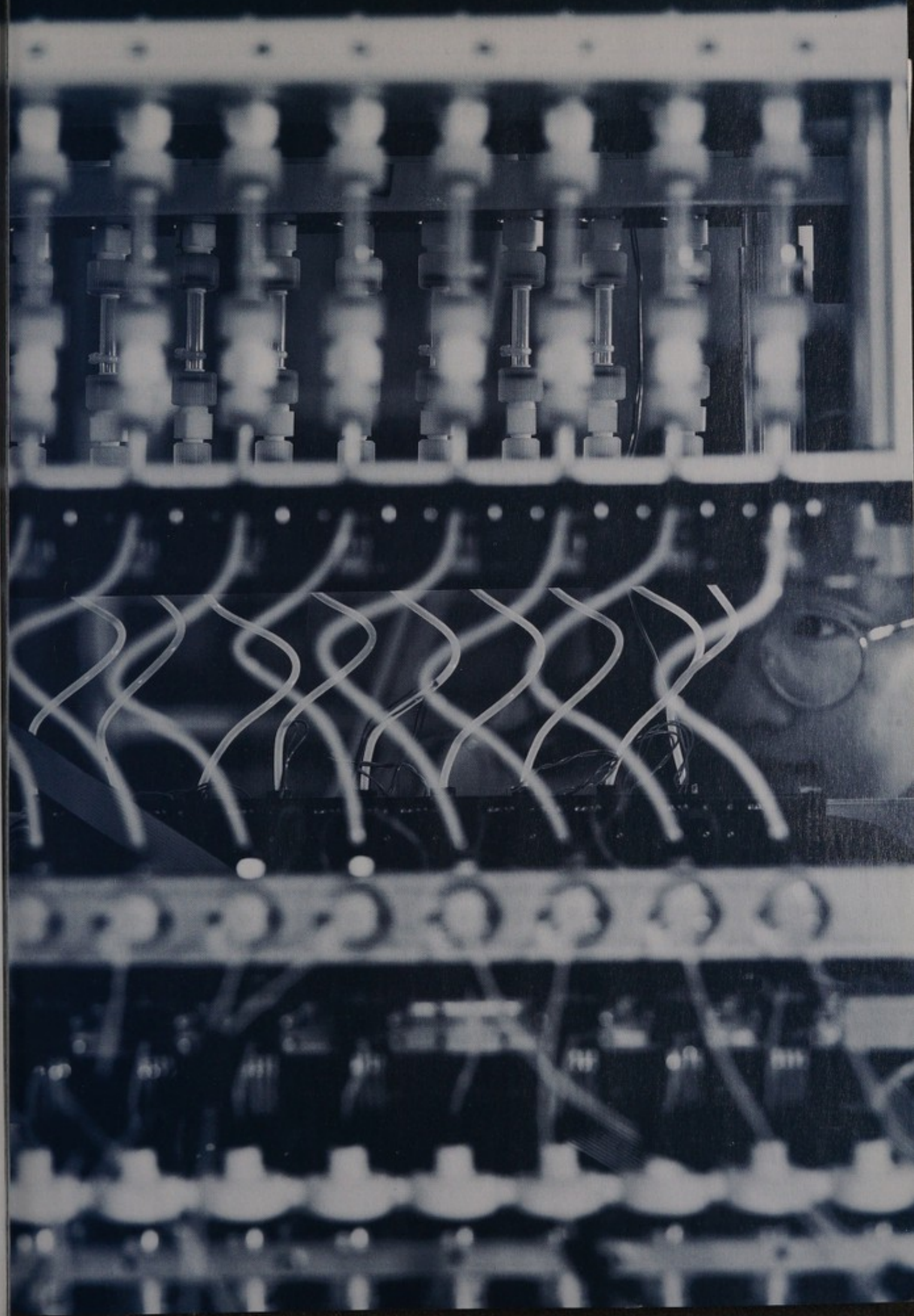
The integration has presented us with an opportunity to reappraise the Group's R&D process. At the corporate level, our goal is to enable information to flow freely around the Group so that our combined knowledge can be put to the maximum use with the minimum delay.

Commercial considerations are incorporated into the product development process at the outset. Following integration, we have an organisational structure which further improves co-operation between the scientific and commercial sections of the business, thereby minimising the resource expended on molecules with no clear potential benefit.

We are committed to boosting the productivity of our R&D effort. Our objective is to produce 20 new compounds from exploratory research each year, leading to the launch of three significant new products each year from the year 2000.

To succeed in this, it is vital for Glaxo Wellcome to make use of the very latest technologies in drug discovery. The acquisition of Affymax has put the Group at the forefront of robotics, combinatorial chemistry and high throughput screening. This will allow us to identify a significantly greater number of pharmacologically active molecules than before.

Universities, other academic institutions and biotechnology companies are a prime source of information on molecules for development and commercialisation, as well as new techniques and tools to enhance discovery. It is a clear part of our R&D strategy to broaden access to these through partnership, alliances and collaboration.



Glaxo Wellcome is a research-based company whose people are committed to fighting disease by bringing innovative medicines and services to patients throughout the world and to the healthcare providers who serve them.



Process operator Alec Simpson, a member of the team manufacturing *EpiVir* (3TC) at the Glaxo Wellcome facility at Ulverston, UK. To meet demand, production continues around the clock, 365 days a year. Studies show that the combination of *EpiVir* and Glaxo Wellcome's *Retrovir* (AZT) is a significant advance in the management of the HIV virus, which has now spread to virtually every country in the world.

Glaxo and Wellcome each had a rich heritage of fighting disease which Glaxo Wellcome will perpetuate.

Glaxo entered the healthcare field in the 1930s and went on to become one of the first mass manufacturers of penicillin and later developed successfully vitamin B₁₂ and anti-inflammatory corticosteroids. Glaxo's rapid growth in world markets in the 1980s enabled it to accelerate its investment in research and development.

Wellcome was established in London in 1880 but real global growth came after the Second World War with the discovery of anti-cancer and anti-malarial treatments and, more recently, anti-viral products.

The scientific insight leading to novel understanding of disease and the appropriate exploitation of technology have been productive for both companies and will continue to be the cornerstone of research for Glaxo Wellcome.

Glaxo Wellcome's exploratory development portfolio comprises more than 30 compounds, covering not only our existing therapeutic fields such as respiratory medicine and bacterial infections, but also new disease areas for the Company such as rheumatoid arthritis, pain, stroke and diabetes.

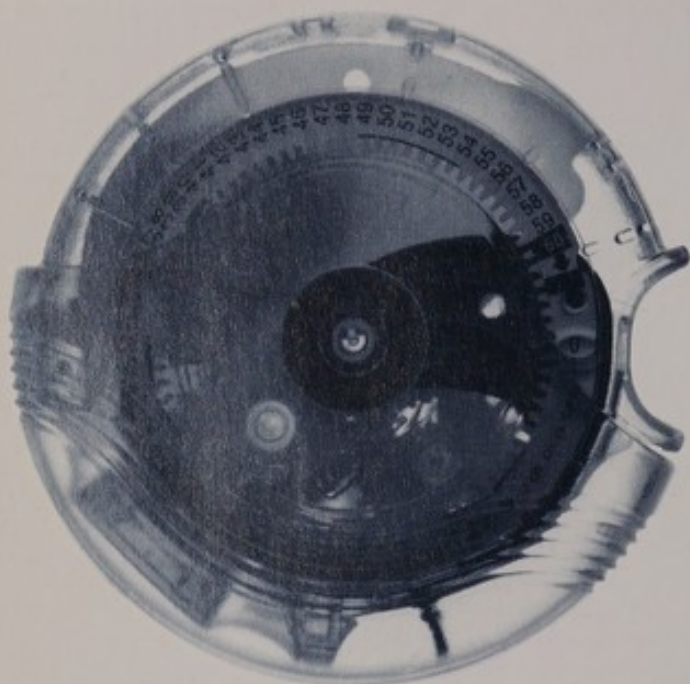
The increasing impact of genetics and bioinformatics on research programmes has led to collaborations and strategic alliances with academic institutions and biotechnology companies.

Our long term research focus is on diseases where there is high unmet medical need such as Alzheimer's and where there is currently no scientific insight to lead naturally to a molecular target – diseases such as schizophrenia.

The entrepreneurial skills, enthusiasm, vision and ideals that brought success to Glaxo and Wellcome remain evident in Glaxo Wellcome as does our commitment to fighting disease. All our people – and the many associates outside the Company – have essential roles to play in the continuation of this tradition.

This commitment to teamwork across all disciplines and boundaries, as reflected in our new strategies and values, will create an environment in which people can work together effectively in the continuing fight against disease.

Glaxo Wellcome is a research-based company whose people are committed to fighting disease by bringing innovative medicines and services to patients throughout the world and to the healthcare providers who serve them.



Glaxo Wellcome's revolutionary powder inhaler for asthmatics, the *Diskus* (marketed in some countries as the *Accuhaler*) won the 1995 British Design and Art Direction Award for excellence in product design. As well as protecting the active ingredient, the device ensures that a measured dose is always delivered to the patient, despite differences in breathing ability.

Our new organisation concentrates scientific, technological and managerial skills on the creation of new medicines and healthcare solutions in disease areas where there is a balance of unmet medical need and commercial opportunity.

Achieving sustainable leadership in our selected therapeutic areas – one of our stated corporate goals – requires us to develop portfolios of breadth and depth.

To build the breadth, we need to develop a range of research-based products that addresses the spectrum of customer requirements – something we have already established in the treatment of asthma.

Glaxo Wellcome has a strong pipeline of new products. We are making good progress with a treatment for hepatitis B and a compound active against the influenza virus is currently in clinical trials. We are continuing our long established programme of investment in new anti-bacterials. We have several new compounds under development for the treatment of atheromatous disease, thrombosis, stroke and associated cardiovascular conditions.

With the recognition that the organism *Helicobacter pylori* is a causative agent in ulcers, we have developed a new generation anti-ulcerant, *Pylorid/Tritec*, which, in conjunction with an antibiotic, will help prevent recurrence of the disease, rather than treat symptoms. Another product under development is for the treatment of irritable bowel syndrome. In the field of metabolic disease, we have compounds in research and development for the treatment of diabetes, obesity, arthritis and benign prostatic hypertrophy.

We aim to maximise the life cycles of our products through innovation. *Zantac* is a good example, where we are extending the product life cycle through over-the-counter versions, brand extensions and by participating in the generic market where appropriate. *Pylorid/Tritec* will also expand our franchise in the gastro-intestinal area.

It is no longer enough to innovate in medicines. We need to be equally innovative in our approach to the services that surround and support our products.

As an example, we are providing healthcare professionals with the information required for an expert approach to disease management. We have already created important partnerships and joint ventures in the United States, the United Kingdom and South Africa to achieve this objective.

Glaxo Wellcome is a research-based company whose people are committed to fighting disease by bringing innovative medicines and services to patients throughout the world and to the healthcare providers who serve them.

Production manager Jen Lin and general manager Jeff Chen on their way to a meeting at Taiwan's largest medical centre, the National Taiwan University Hospital in Taipei. Their visit is to explain how Glaxo Wellcome is able to contribute to raising healthcare standards in this part of the Asia Pacific region.

While patients are the pharmaceutical industry's ultimate consumer, decisions about consumers' healthcare have been almost entirely in the hands of third parties. Government regulators monitored what patients could be told; physicians had little time to discuss the options available; providers and payers restricted choice in pursuit of cost containment.

Today, patients are participating more in the decisions about their treatments. They are becoming more knowledgeable, articulate and demanding.

Patient activist groups are also becoming more organised and more vocal.

As levels of co-payment increase worldwide, patients are taking greater interest in the cost effectiveness of their healthcare as well as its efficacy.

Patients are not a homogeneous group. Disease patterns and treatment protocols vary enormously around the world.

As a global company committed to understanding and meeting the needs of its customers, we realise that the true strength of the Group lies in having operating companies that understand and are responsive to the unique local circumstances of their markets.

As well as seeking growth in the major markets, we have had a long standing commitment to invest in emerging markets. The benefits of this policy are increasingly reflected in our sales performance.

Glaxo Wellcome makes an important contribution to health in developing countries by working to improve the availability of medicines in isolated areas. We also sponsor research into diseases which particularly affect developing countries: we are committed to bringing forward new treatments for malaria, tuberculosis and hepatitis B – which are among the developing world's most prevalent and serious diseases.





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Barbara Beasy, senior account manager for Glaxo Wellcome Inc., leaving the Minneapolis site of HealthPartners which, as one of America's largest integrated healthcare providers, is a major purchaser of the Company's products. A qualified pharmacist, she is able to work as a professional partner with her clients in HealthPartners, keeping them informed on all aspects of Glaxo Wellcome's portfolio of products and services.

In the traditional model of the healthcare system, pharmaceutical companies were viewed as external organisations which prospered simply by supplying medicines to healthcare providers.

We want this to change.

Our aim now is to be valued increasingly as a collaborator in healthcare delivery. Our new strategies underpin the importance of partnership with key participants in the healthcare system – doctors, pharmacists, nurses, hospitals, health maintenance organisations, distributors, insurance companies and governments.

In all cases our goal is the same: to improve our understanding of the customer's needs in order to deliver the best possible treatment to the patient.

A major recent trend in healthcare has been the shift away from the prescriber as the sole influence on the purchasing decision. With payers under more pressure to reduce the healthcare bill, they are becoming more involved in influencing which treatments patients may have.

We need to become more adept at understanding the evolving needs and importance of each distinct customer group and at formulating a range of products and services which meet their expectations.

Glaxo Wellcome and the purchasers of its products are facing the same challenge – how to reconcile limited financial resources for healthcare with the best long term interests of patients. Solutions to this dilemma can only be found if all the parties involved work closely together.

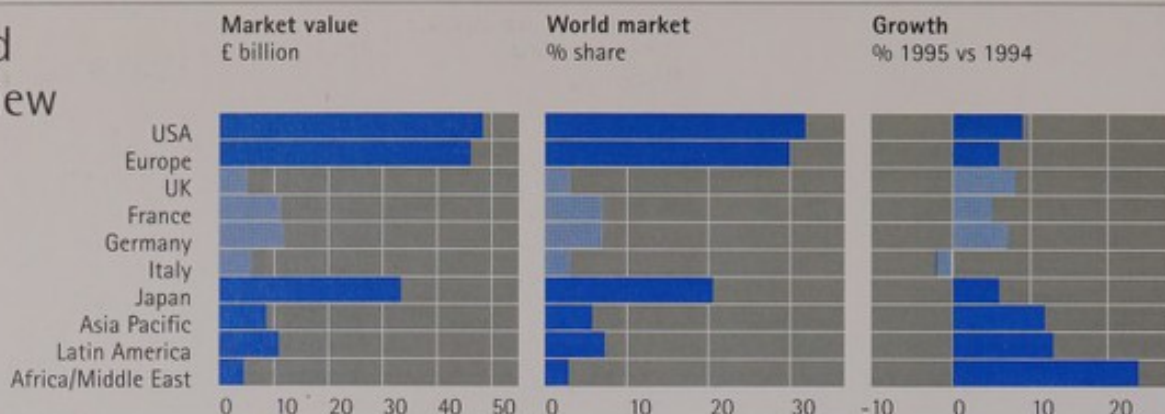
For our part, we are creating new relationships within the healthcare market through a range of strategic alliances that will enable us to provide innovative and cost effective healthcare solutions.

The logo consists of a stylized, multi-pointed star or sunburst symbol to the left of the company name.

HealthPartners



Operating and Financial Review



The Operating and Financial Review for the 18 months to 31st December 1995 highlights the important aspects of Glaxo Wellcome's business throughout the world. The Group has operating companies in some 70 countries and markets products in over 120 countries. Following the completion of the integration process, Glaxo Wellcome trades as a single company in almost all of these countries.

Pages 23 to 29 cover the various business activities of the Group – sales and marketing, manufacturing and research and development.

Pages 29 and 30 examine human resources, intellectual property and litigation issues.

Page 31 outlines the Group's corporate responsibility in areas such as health, safety and the environment and charitable and community support.

Pages 32 to 38 consist of the financial review on the 18 month financial period covered by this Annual Report and Accounts.

Operating Review

The world market*

There has been a general slowdown in the world pharmaceutical market in the 1990s as governments seek to apply measures to limit healthcare expenditure on prescription medicines.

Restricted growth presented a major challenge to all global corporations, resulting in a number of mergers as they adapted their structures to meet the changing healthcare environment, particularly the increase in managed care in the USA.

However, during 1995 there were encouraging signs of an increase in world market growth to approximately 8.0 per cent compared with 6.3 per cent in 1994. This was fuelled by a revival in the USA and much of Europe, partly because of important new therapeutic advances receiving early regulatory approvals.

In Western Europe, the effects of the German budget restrictions largely diminished and encouraging growth was seen in the UK and France, despite continued government limitations on healthcare expenditure. The Italian market continued to be depressed with severe restrictions on prescription products leading to reduced sales for the second successive year.

Growth in Japan continued to be lower (6 per cent) than the European average with downward pricing pressure and restricted entry to new products limiting growth opportunities when compared with the USA and Europe.

Several of the developing markets continued to provide an improving environment for pharmaceutical companies with greater political stability and increasing economic growth. Brazil and Argentina are attractive markets for investment, although Mexico suffered a major economic crisis. The People's Republic of China, India, Pakistan and the Philippines are major populations with increasingly sophisticated healthcare demands, and in Eastern Europe important therapeutic advances are being readily adopted by skilled medical practitioners.

The Group is now well established as the leading pharmaceutical company in the world with a market share of 5.1 per cent and sales of £2 billion more than its nearest competitor.

Glaxo Wellcome is the leading company in five of the major world markets (USA, UK, Spain, Australia and the Netherlands) and has six products in the world's top 50 medicines (*Zantac*, *Zovirax*, *Ventolin*, *Becotide*, *Zinnat* and *Zofran*).

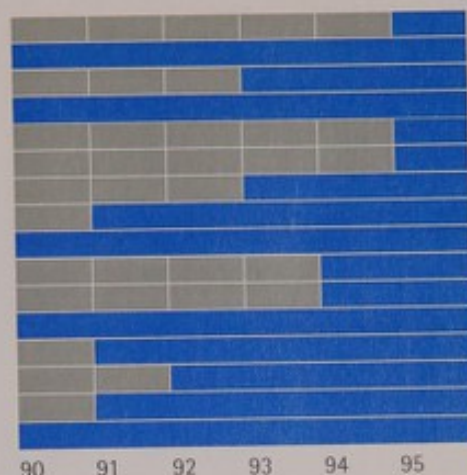
Zantac continued to be the largest selling pharmaceutical product in the world market. *Zovirax* was the second Glaxo Wellcome product in the global top ten, ranked ninth.

* Market Data

Throughout this report, figures quoted for market size, market share and growth rates relate to the year ended 30th September 1995 and represent Glaxo Wellcome estimates, based on the most recent data from independent external sources, valued in sterling at average exchange rates prevailing during the year ended 30th September 1995. Figures quoted for product market share reflect sales by Glaxo Wellcome and licensees.

New product launch dates

Gastro-intestinal	Pylorid
Respiratory	Flixonase
	Flixotide
	Serevent
Viral infections	Valtrex
	Epivir
Bacterial infections	Mepron
CNS disorders	Imigran
	Lamictal
Oncology	Navelbine
	Panorex
	Zofran
Dermatologicals	Cutivate
Cardiovascular	Lacipil
Anaesthesia	Mivacron
Others	Exosurf



Sales and marketing

Glaxo Wellcome's core strategic objectives in sales and marketing continue to be:

- to maximise the contribution from marketed products, still being led by *Zantac* (ranitidine hydrochloride), *Zovirax* (aciclovir), respiratory products and antibiotics but with increasing contributions from the 16 new products introduced since 1990;
- to secure rapid global approvals for new products, with the majority of post 1990 introductions already launched in the USA and most of Europe. *Flovent/Flixotide* (fluticasone propionate) and *Tritec/Pylorid* (ranitidine bismuth citrate) are planned for the USA in 1996;
- to invest for the long term in emerging markets such as Poland, Brazil and the People's Republic of China.

Glaxo Wellcome's product portfolio covers a wide range of therapeutic areas including gastro-intestinal, respiratory, viral infections, bacterial infections, CNS disorders, oncology, dermatologicals, cardiovascular and anaesthesia.

Although the major brands of *Zantac*, *Zovirax*, *Ventolin* (salbutamol/albuterol) and *Becotide/Beclovent* (beclomethasone dipropionate) are entering their mature phase in many markets, there has been exceptional growth in the respiratory area with the new products of *Serevent* (salmeterol xinafoate), *Flixotide* and *Flixonase* (fluticasone propionate), and in neurological conditions with *Imigran/Imitrex* (sumatriptan) for migraine and *Lamictal* (lamotrigine) for epilepsy.

Constraints on healthcare spending continued to limit the scope for price increases and reinforce the need to demonstrate both therapeutic and economic value in new products.

In the over-the-counter (OTC) market sector, during December 1995 Glaxo Wellcome announced its intention to sell its interest in the Warner Wellcome consumer healthcare joint venture, which is expected to be completed in 1996, and to restructure its agreement with the Warner-Lambert Company to market Glaxo Wellcome's "switch products" (medicines which are converted from prescription status to OTC status), including *Zantac*, *Beconase* (beclomethasone dipropionate) and *Zovirax*.

New products

New products underline Glaxo Wellcome's commitment to bring innovative medicines and services to patients.

Sixteen products in nine different therapeutic areas have been launched by Glaxo Wellcome in the past five years and currently represent 17 per cent of Group sales. Two of them, *Zofran* (ondansetron) and *Imigran*, each have annual global sales of over £350 million, while *Serevent* has annual global sales of over £250 million.

Twelve new products have already been launched in the USA, the largest pharmaceutical market in the world, the latest in 1995 being *Epivir* (lamivudine) for the treatment of AIDS/HIV.

Ultiva (remifentanyl hydrochloride) and *Nimbex* (cisatracurium besylate) for anaesthesia are planned for global launches in 1996.

Pro forma sales

Pro forma sales by Glaxo Wellcome in calendar year 1995 (as defined on the opposite page) totalled £7,973 million, an increase of 4 per cent on those in the previous year in sterling and 3 per cent at constant exchange rates (CER – as defined opposite). Volume growth was 4 per cent, but pricing pressure had a net 1 per cent adverse effect on sales revenue.

Sales by therapeutic area

Gastro-intestinal ulcers and related conditions

Zantac is still the largest selling pharmaceutical product in the world and the only one to have exceeded sales of £2 billion per annum. It holds a 31 per cent Moving Annual Total share of the anti-peptic ulcerant market.

Zantac has been facing competition for several years from other H_2 antagonists and proton pump inhibitors such as omeprazole. It also faces generic competition in a number of markets.

The realisation that *Helicobacter pylori* is a causative agent in ulcers has provided the opportunity to introduce *Pylorid/Tritec*, designed to be used with antibiotics for the eradication of *Helicobacter pylori*.

Respiratory

asthma, bronchitis and allergic rhinitis
The treatment of respiratory diseases is the second most important therapy area for Glaxo Wellcome. It is based on a range of established and new products now available in a wide choice of delivery systems. These include the design award winning *Diskus* (known as the *Accuhaler* in some markets), a novel multi dose powder inhaler.

Sales of *Ventolin* continued to grow in its 26th year (an increase of 3 per cent at CER) with notable contributions from the USA, France, Germany and Japan. *Ventolin* was again the market leader in the £5 billion respiratory market, followed by *Becotide/Beclovent*, which also achieved sales growth in its 23rd year since the first launch in the UK in 1972. In the longer term, the main growth potential is centred on *Serevent*, *Flixotide/Flovent* and *Flixonase/Flonase*.

Viral infections

Zovirax is the second largest product in the Group, with annual sales of £856 million, but is facing generic competition in Canada and Europe. The recent launch of

Valtrex (valaciclovir) in the UK, Germany and the USA should help to offset a decline in sales of *Zovirax* and maintain the Group's franchise in the global viral infections market.

Retrovir (zidovudine) continues to be the mainstay of AIDS/HIV therapy and the results of recent trials in combination with *Epivir* demonstrated a significant advantage in combination therapy. *Epivir*'s regulatory approval in 1995 in the USA and its early launch there is a major boost for the Group's products in the treatment of AIDS/HIV.

Bacterial infections

Competition in this market has always been intense with multiple entries from new competitors. Despite this, *Zinnat/Ceftin* (cefuroxime axetil) has retained a strong position in treating community acquired infections of the lower respiratory tract with a 4 per cent share of the £10 billion global oral antibiotic market. *Fortum/Fortaz* (ceftazidime), a key product for the treatment of life threatening conditions, and *Zinacef* (cefuroxime), used for routine infections and prophylaxis, together hold an 8 per cent share of the largely hospital based £6 billion injectable antibiotic market.

CNS disorders

Imigran/Imitrex achieved sales of £366 million in the year, providing migraineurs with relief from migraine symptoms through either injectable or, increasingly, oral therapy.

The launch of *Imitrex* tablets in the USA, based on the new, lower dose tablets (25mg and 50mg), boosted sales and the 50mg tablet, launched in Europe, was readily adopted in most markets.

Lamictal for epilepsy was launched by Glaxo Wellcome in 1990 and is the market leader in the UK with a 24 per cent market share; it was launched recently in the USA. In January 1996, *Lamictal* was awarded the UK Prix Galien award for the most innovative product.

Oncology

Zofran, the first 5-HT₃ antagonist to be launched worldwide, has achieved success in all major markets, based on its therapeutic innovation and ability to improve the quality of life of cancer patients by controlling emesis, nausea and vomiting associated with chemotherapy.

This success has attracted competition from other products. Price competition in a relatively small market (£1 billion) has restricted further growth opportunities for *Zofran* in cancer treatment. The product is also used for the prevention and treatment of post operative nausea and vomiting.

Panorex (monoclonal antibody 17-1A), a colorectal cancer treatment, is the first monoclonal antibody to be licensed for cancer therapy.

Dermatologicals

Glaxo Wellcome has developed a range of anti-inflammatory steroid products to treat skin diseases such as eczema and psoriasis. *Betnovate* (betamethasone valerate) and *Dermovate* (clobetasol propionate) have been providing relief to patients for many years.

Cardiovascular

In this intensely competitive area, Glaxo Wellcome products have achieved sales of £187 million and have consistently maintained their market share. *Lanoxin* (digoxin), *Trandate* (labetalol) and *Lacipil* (lacidipine) are all recognised as standard effective products in the treatment of cardiovascular disease, while *Flolan* (epoprostenol) is available in the USA for the treatment of primary pulmonary hypertension.

Anaesthesia

The Group has a significant presence in this market with a range of neuromuscular blocking agents including *Tracrium* (atracurium besylate) and *Mivacron* (mivacurium chloride) with combined sales of £117 million.

Pro forma sales

To illustrate sales performance by product and market, analyses are given below of the combined sales of Glaxo and Wellcome for the year to 31st December 1995, as if Glaxo Wellcome had existed as a combined entity from 1st January 1995.

								Pro forma sales 12 months to 31.12.95			
Therapeutic area	Major products	0	500	1000	1500	2000	2500	3000	Em	% of total	% CER growth
Gastro-intestinal	total								2,255	28	(4)
	Zantac								2,255		(4)
Respiratory	total								1,603	20	20
	Ventolin								526		3
	Becotide								397		4
	Serevent								271		58
	Beconase								156		(2)
	Flixonase								119		+100
	Flixotide								88		+100
	total								1,099	14	-
Viral infections	Zovirax								856		(1)
	Retrovir								201		(3)
	Valtrex								9		+100
	total								963	12	-
Bacterial infections	Zinnat								393		9
	Fortum								306		(4)
	Zinacef								125		-
	total								501	6	31
CNS disorders	Imigran								366		29
	Lamictal								65		+100
Oncology	total								451	6	5
	Zofran								386		(2)
Dermatologicals	total								205	3	5
Cardiovascular	total								187	2	-
Anaesthesia	total								117	2	(14)
Others	total								592	7	(4)
	Zyloric								115		-
	Imuran								105		2
									7,973	100	3
Region	Major markets	0	500	1000	1500	2000	2500	3000			
USA	total								3,309	42	3
	total								2,739	34	-
Europe	UK								628	8	2
	France								450	6	5
	Germany								346	4	(7)
	Italy								333	4	(13)
	Eastern Europe								79	1	8
	total								1,925	24	8
	Japan								701	9	15
Rest of the World	Asia Pacific								409	5	4
	Latin America								266	4	2
	Africa/Middle East								197	2	15
										7,973	100

Constant exchange rate (CER) growth represents growth over the combined sales of Glaxo and Wellcome for the year to 31st December 1994 excluding currency movements, calculated as if the exchange rates used to translate the results of overseas companies into sterling had remained unchanged from those used in 1994.

Sales by geographic area

USA

Sales in the USA accounted for 42 per cent of Glaxo Wellcome's total in 1995 and grew by 3 per cent at CER. Increased competitive pressure on major products – *Zantac* and *Zovirax* – was offset by encouraging sales of new products. The majority of Group products launched since 1990 have been approved and launched in the USA. *Epiriv* was launched in November 1995 to boost the status and sales of products in the treatment of HIV/AIDS. Four major launches are expected in 1996 – *Flovent/Flixotide*, *Tritec/Pylorid*, *Ultiva* and *Nimbex*.

The growth in managed care provided Glaxo Wellcome with an opportunity to consolidate sales of major products and generally provide a favourable environment for new product launches.

The agreement in October 1995 settling the Genpharm Pharmaceuticals Inc. litigation removes a potential threat to *Zantac* prior to July 1997, the extended expiry date of the Form 1 ranitidine hydrochloride patent under the terms of the intellectual property provisions of the General Agreement on Tariffs and Trade. This has provided the US subsidiary, Glaxo Wellcome Inc., with more time to establish its new product range and to reduce the level of dependency on *Zantac* and *Zovirax* sales.

Europe

In Europe, despite market growth of 8 per cent, sales were unchanged at CER primarily because of the effect of competition to *Zantac* and *Zovirax*.

Sales in the UK were particularly affected by generic competition to *Ventolin*, *Becotide* and *Zovirax*; products introduced since 1990 contributed 25 per cent of total UK sales.

Zantac and *Zovirax* in Germany are both facing generic competition which caused a decline in overall sales. Future growth will be derived from *Flixotide*, *Flixonase* and *Serevent*, the emerging respiratory range, and neurological products such as *Imigran* and *Lamictal*.

Despite delays in product approvals and launches in France – there have been only three since 1990 – sales growth was good, aided by established products, including *Ventolin*, *Becotide*, *Zovirax*, *Retrovir* together with *Serevent*.

In common with most companies, Glaxo Wellcome experienced difficult market conditions in Italy: sales of *Serevent*, *Becotide* and *Zinnat* continued to grow but overall there were reduced sales and a declining market share.

New product sales in Eastern Europe continued to grow strongly, particularly *Zofran*, *Imigran* and *Serevent*. *Zinnat* remains the leading Group product in Eastern Europe.

Rest of the World

This area includes Japan, the second biggest market in the world. Based on combined sales, the two Glaxo Wellcome operating companies there form the biggest Glaxo Wellcome pharmaceutical company after the USA. Glaxo Wellcome has experienced long delays in approval and launch times in Japan compared with Europe and the USA. Only *Zofran* and *Flixonase* (fluticasone propionate) have been launched since 1990. Despite these limitations, Glaxo Wellcome achieved sales growth of 15 per cent at CER because of the continued growth of *Zantac* and *Zovirax*.

In Canada, sales growth for new products was limited because of government policies which continued to affect most major companies.

The Asia Pacific region benefited from the continued strength of the bacterial infections and viral infections ranges and total sales increased by 4 per cent at CER.

Competition to the major Glaxo Wellcome products in Australia reduced growth to 7 per cent at CER and pricing pressures limited the uptake of new products, including *Imigran* and *Serevent*.

In Latin America, overall sales growth was adversely affected by economic conditions in Mexico. Sales in the rest of the region grew by 20 per cent at CER.

The Africa and Middle East region recorded sustained growth for established products, including *Zantac* and *Ventolin*, with emerging contributions from *Zofran*, *Imigran* and *Serevent*.

Manufacturing

In 1995, the main objectives for manufacturing and supply operations were to:

- lay the foundations for the speedy integration of the former Glaxo and Wellcome operations;
- support the unprecedented number of new product launches;
- improve the efficiency of existing manufacturing and supply operations.

Each objective required teamwork worldwide. During the integration, for example, the Manufacturing Task Force, with over 20 project teams and 200 staff from 15 different operating companies, completed a comprehensive worldwide review of manufacturing and supply operations. Yet this work, which included both broad strategic direction and detailed implementation plans, was completed in just nine months.

The initial manufacturing and supply of new products such as *Serevent* and *Flixotide Diskus*, *Zantac* OTC, *Zovirax* OTC pump dispensers, *Valtrex*, *Pylorid* and *Epivir* was also achieved in 1995.

These events, which combined rapid technology scale up across several different sites with unpredictable demand, required co-ordination between operating companies and manufacturing sites.

During the period, efforts continued to improve the efficiency of existing operations:

- in the UK, Glaxo Wellcome Operations was formed to streamline UK manufacturing and supply activities;
- in the USA and India, Glaxo Excellence Programmes became a focus for efficiency improvements;
- in France, Projects SCOPE and Antelope started to deliver improvements in logistics, material yield and administrative efficiency;
- in Australia, a continuous improvement programme has significantly improved yield and output of *Ventolin* nebulas and *Zofran*.

Elsewhere, internal process benchmarking delivered significant benefits in Spain, France, the UK, Japan, Australia and the USA. It is intended to extend the use of this process.

Manufacturing and supply operations increasingly involve teams working across functions, between Glaxo Wellcome companies and with external suppliers. Two drug delivery systems, which improve patient convenience and compliance, depended on such teams to support their launches in 1995:

- the *Diskus*, a multi dose device for a range of respiratory products, sets a new standard for powder inhalers. Designed in-house and manufactured at Ware in the UK, it requires the assembly of over 20 different components and is the result of close co-operation with a number of external suppliers;
- the *Zovirax* pump dispenser, designed specifically for OTC treatment of cold sores, is a breakthrough in unit dose topical packaging. First launched in early 1995, the dispenser was designed and manufactured at Dartford in the UK, after a five year development plan.

These projects illustrate the place of high performance cross-functional teams in meeting the increasingly complex manufacturing and supply challenges.

Research and development

The integration provided the opportunity to change the R&D structure and process including the creation of a flatter, global organisation, a review of key processes to increase efficiency and the creation of a combined product pipeline.

As a result, Glaxo Wellcome is a powerful broad based organisation with a highly effective R&D function.

In support of the corporate objective of providing superior returns to shareholders, a target of bringing three significant new medicines to the market each year from the year 2000 has been set.

In April 1995, Her Majesty the Queen formally opened the Medicines Research Centre at Stevenage in the UK, a complex which completes Glaxo Wellcome's worldwide R&D facilities expansion. The acquisition in March 1995 of Affymax N.V., a leader in combinatorial chemistry, offers new opportunities in the Company's drug discovery programme.

Research programmes

Scientific insight and the appropriate exploitation of technology lead to a deeper understanding of the pathology of diseases. The more that is understood about disease processes, the greater will be the chances of discovering novel ways of intervention. Technologies such as robotics and automation are providing new capabilities in research as well as increasing the efficiency of existing methods.

The research portfolio consists of 50 major research projects directed mainly towards neurosciences, anti-virals, cardiovascular disease and cancer.

During the integration, the research strategy was refined and a strengthened skill base put in place. A process to achieve productivity goals was also established.

Global research delivered 13 molecules to the early phases of development during 1995. At least seven of these will be used to test novel therapeutic concepts in humans. A target of putting 15 molecules into development each year by the year 2000 has been set.

Molecules delivered in 1995 included:

- in respiratory, a series of molecules which will be used as non-steroid based anti-inflammatories in asthma;
- in anti-microbial and infectious diseases, a new anti-fungal target was found, yielding a series of compounds which are broad spectrum and cidal anti-fungal agents;
- in cardiovascular, a novel potent cholesterol lowering agent, not based on the inhibition of cholesterol biosynthesis, was found.

Glaxo Wellcome's leading position in sodium channel blockers continues to be exploited in research into epilepsy, with diversification into the areas of pain and stroke.

Development programmes

Compounds moving from research into development undergo stringent evaluation to demonstrate their safety and effectiveness in humans and to show they offer real benefit to patients and significant clinical advantages over medicines currently available.

The exploratory development portfolio consists of more than 30 compounds, covering existing therapeutic fields such as respiratory and bacterial infections, combined with new disease areas for Glaxo Wellcome which include rheumatoid arthritis, pain, stroke and diabetes.

During the 18 month period, despite the complexities of the integration process, the Group filed 36 major regulatory submissions around the world, including the analgesic *Ultiva* and new formulations for *Imigran/Imitrex*.

In the same period, 19 significant approvals for marketing were granted, including *Epivir* in the USA for the treatment of HIV/AIDS, *Pylorid* in the UK for the eradication of *Helicobacter pylori* and treatment of peptic ulcers, *Lamictal* in the USA for epilepsy, and *Zantac 75 OTC* in Europe and the USA.

A development portfolio, offering both breadth and depth in scope, has resources committed to 93 projects involving:

- the respiratory system;
- viral infections;
- the central nervous system;
- oncology/emesis;
- cardiovascular/critical care;
- bacterial infections.

The projects, in various stages of development, include:

- two compounds with novel mechanisms for treatment of stroke;
- a droplet formulation of *Flonase*/*Flixonase* for the treatment of nasal polyps;
- *Zofran* for opioid induced emesis;
- a compound for irritable bowel syndrome;
- a 5 alpha reductase inhibitor for treatment of benign prostatic hyperplasia;
- the use of lamivudine in the treatment of hepatitis B and *Wellferon* for hepatitis C;
- the treatment of influenza with the neuraminidase inhibitor GR121167;
- a broad spectrum oral compound GV118819, a new class of antibiotics;
- ondansetron for the treatment of panic disorder;
- a potent inhibitor of reverse transcriptase for treatment of HIV/AIDS.

By the end of 1996, the Company plans to make over 30 regulatory submissions in Europe and/or the USA, including:

- troglitazone, licensed for Europe, a novel anti-diabetic;
- naratriptan, a treatment for migraine with potentially significant advantages over the Company's *Imigran*/*Imitrex*;
- *Wellbutrin SR* (bupropion), which will be the first non-nicotine product for smoking cessation;
- *Malarone* (atovaquone and proguanil combination), a treatment for malaria.

Animals and research

The use of animals in the development of new medicines is minimised and alternative methods are used if feasible. Glaxo Wellcome is engaged in and supports research to develop alternative methods. Animal experiments are rigorously monitored to ensure statutory requirements are met and best practice is followed.

Human resources policies and practices

Prior to the merger, both Glaxo and Wellcome had well developed and competitive policies and practices in human resources, particularly in the major markets of Europe and the USA.

These were recognised early in the process of integrating the two companies, as was the critical need to preserve the quality, commitment and effectiveness of employees during the period of uncertainty.

Extensive programmes were implemented to maintain effective communication with all employees. In addition, policies were developed to ensure retention of talent in the new organisation and to provide support for those affected by job reductions and rationalisation.

A human resources platform team, together with task forces and project teams, was established to design and guide the integration of human resources policies and support the integration of the two companies. Work on selection and severance policies and practices in each country was completed within the first two months of the integration process to give early impetus to the integration as well as to provide financial support to those staff leaving.

To build the new organisation, fair and open selection processes against agreed criteria were implemented to retain the best mix of skills and experience in the two companies. In parallel, major programmes in Europe and the USA were implemented to provide job search support, counselling and outplacement for staff affected. Early retirement programmes and selective use of voluntary severance were encouraged where possible to ease the impact on individuals.

These programmes will continue for some time in those countries affected by full or partial site closures. In addition, in some countries where operations were duplicated and facilities rationalised, management buyouts of facilities have been successful in securing continued employment.

Throughout this period of change, Glaxo Wellcome maintained its commitment to effective staffing and employment policies which do not discriminate between potential or existing staff on the grounds of colour, race, ethnic and national origin, gender, marital status, religious beliefs or disability.

In the UK, for example, if an employee becomes disabled whilst in employment and, as a result, is unable to perform normal duties, every effort is made to offer suitable alternative employment and assistance with retraining.

In the UK, Glaxo Wellcome is now a "gold card" member of the Employers' Forum on Disability and remains an active participant in Opportunity 2000.

The Glaxo Wellcome Share Option Schemes enable employees to share in the success of the Company.

The completion of the integration in the major areas has been achieved through effective employee consultation and in dialogue with staff representative groups and works councils where appropriate. The commitment to employee communications will continue to be a high priority with company videos and publications, including an annual "Report for Staff" magazine, representing some of the methods used to ensure that all staff are properly informed.

Intellectual property

Patent protection for pharmaceutical products is being strengthened in a number of countries by legislation enacting the provisions of the Trade Related Intellectual Property Agreement, part of the Uruguay GATT Round.

In the USA, this legislation has provided a 20 year patent term for all inventions, resulting in an extended expiry date for the basic patent on *Zantac* of July 1997. Decisions of the US appellate court have confirmed that the legislation does not permit generic products to enter the market before the expiry of the extended patent term.

Despite these positive trends, political moves are underway in the USA to amend the new legislation in a way which would, in our view, undermine the GATT Agreement.

The suit of Genpharm Pharmaceuticals Inc. challenging the US patents on *Zantac* was settled before it came to trial. In addition, the validity of the Form 2 ranitidine hydrochloride patent, upheld by the district court in the action by Novopharm Limited, has been confirmed by the US appellate court. However, further challenges involving what we believe to be infringements of the Form 2 patent in the USA are continuing.

Glaxo Wellcome remains committed to acquiring the strongest possible intellectual property for the outcome of its substantial R&D investment and ensuring that these rights are enforced.

Litigation

During the year, a subsidiary of Glaxo Wellcome in the UK, without any admission of liability, reached agreement with plaintiffs in the litigation concerning *Myodil*, a diagnostic product which was withdrawn from the market in 1987. The settlement involved the payment of a lump sum of £7 million, with reasonable costs to be paid to the plaintiffs. The action had been brought by 426 patients who claimed to have suffered back pain after the administration of *Myodil*.

In the USA during 1993, retail pharmacies initiated legal proceedings against Glaxo, Burroughs Wellcome and most US pharmaceutical manufacturers for price discrimination and for a claimed conspiracy to deny to retail pharmacies discounts or rebates accorded to purchasers in the managed care sector.

One case is a class action on behalf of approximately two thirds of US pharmacies. A number of defendants (who represent about three quarters of the industry by sales value) have settled this case subject to court approval. Under the settlement Glaxo Wellcome will pay US\$53.4 million in four instalments over three years. Other defendants will pay a total of approximately US\$350 million over the same period.

The settlement does not resolve the federal litigation brought by other pharmacies. Nor does it affect other cases being brought in state courts. In the opinion of the Directors settlement of these cases will have no material adverse effect on the results of the Group in future years.

Health, safety and the environment

A new Group health, safety and environment policy has been approved and issued, reiterating Glaxo Wellcome's commitment to high standards, as in all aspects of its business.

Performance continues to be measured through a comprehensive global programme of health, safety, environment and loss prevention audits and reviews.

Our aim is for continuous improvement in health, safety and environmental performance in every part of the Group. This demands efficient use of resources so as to maximise the benefit to ourselves and the communities in which we operate. Investment in health, safety and environmental protection is viewed as an essential long term strategy for the business.

The Chief Executive's Awards continue to reward health, safety and environmental excellence within Glaxo Wellcome and in 1995 Sir Richard Sykes presented trophies to the sites at Singapore, Ankleshwar in India and Ulverston in the UK for innovative projects in this area. A number of sites are national leaders in health, safety and environmental management, achievements which have been recognised by awards from various organisations. Seven sites also received Chief Executive Certificates for achieving over one million working hours without lost time accidents.

The safety record in construction projects is pre-eminent in the industry, exemplified recently during the building of a new factory at Jeddah in Saudi Arabia, where over 750,000 consecutive hours of work were achieved without a lost time accident.

Glaxo Wellcome contributes to the dialogue between business and government on health, safety and environmental issues through trade associations and bodies such as the World Business Council for Sustainable Development.

Charitable and community support

Glaxo Wellcome is committed to being a good corporate citizen and an important part of that commitment is the support the Group gives to the communities in which it operates.

Glaxo and Wellcome had long established programmes of charitable and community support before the merger of the two companies. Glaxo Wellcome will build on these traditions in continuing to discharge its social responsibility.

Total contributions by Glaxo Wellcome in the period under report were £23.2 million, with the Company in the UK and Glaxo Wellcome Inc. in the USA the largest contributors.

The Company in the UK made charitable donations of £9.7 million and its UK subsidiary undertakings made other contributions in support of the community of £1 million. The combined total of £10.7 million was equivalent to 3.5 per cent of that share of Group pre-tax profit proportional to the UK contribution to Group turnover.

In the UK, projects supported under the Company's wide ranging programme included:

- a new high dependency unit at the Sick Children's Hospital in Edinburgh;
- a new chair in developmental neurobiology at the Institute of Child Health in London;
- the establishment of an education centre at the Wildfowl and Wetlands Trust's reserve at Washington, Tyne & Wear.

Support was also given to healthcare initiatives in the developing world. These included:

- a collaborative research project in the People's Republic of China to enhance the control of tuberculosis;
- the production of low cost rehabilitation aids and appliances for the Uganda Society for Disabled Children;
- a project by UNICEF, the United Nations Children's Fund, to help combat malaria amongst Vietnamese families;
- support for Medical Emergency Relief International (MERLIN) for medical evaluation work in Russia and Rwanda.

Glaxo Wellcome is also supporting a number of international environmental projects such as Earthwatch Europe which involves an acid rain study in the Czech and Slovak republics, and a biodiversity study in S'Albufera, Spain.

Through its programme of support for the arts, Glaxo Wellcome sponsored the critically acclaimed Spanish Still Life exhibition at the National Gallery in London. The exhibition, which lasted for 13 weeks, was seen by over 126,000 visitors.

Financial Review

The results for the period are summarised in the Financial Highlights on page 2.

The results have several unusual features. The financial period is for 18 months. There were a number of acquisitions during the period: the major acquisition of Wellcome plc, effective from 16th March 1995; and the acquisition of Affymax N.V. and a controlling interest in Glaxo Korea Limited, also both effective from March 1995.

Following the acquisition of Wellcome plc the Company changed its financial year end from 30th June to 31st December and extended the 1994/95 financial period to 31st December 1995. Accordingly, the financial period covered by this review is for the 18 months from 1st July 1994 to 31st December 1995.

The results have four principal components:

- the Glaxo continuing business for the 12 months to 30th June 1995;
- the acquired businesses of Wellcome plc, Affymax N.V. and Glaxo Korea Limited from their date of acquisition to 30th June 1995, together with the cost of borrowings taken out to finance the acquisitions;
- the results of the merged business for the period from 1st July 1995 to 31st December 1995, following the integration of the Glaxo and Wellcome businesses;
- the costs of integrating the Glaxo business and the acquired businesses into a combined Group.

The results of each of these components are shown separately in the consolidated profit and loss account on page 44.

In view of the change in financial year end from 30th June to 31st December and the effect of the acquisition of Wellcome plc, Supplementary Financial Information has been prepared to indicate the results of Glaxo Wellcome on a calendar year basis, so as to give a more useful comparison of business performance and to provide comparative data for the 1996 financial year.

The Supplementary Financial Information is presented on statutory and pro forma bases:

Statutory basis

The results of Glaxo Wellcome for calendar years 1995 and 1994. In 1995 Wellcome is consolidated from its date of acquisition on 16th March 1995. The 1994 results represent Glaxo alone.

Pro forma basis

The combined pro forma results of Glaxo and Wellcome for calendar year 1995 on a consistent basis of presentation as if Glaxo Wellcome had existed as a combined entity from 1st January 1995.

The Supplementary Financial Information is given on pages 72 and 73. Analyses of pro forma sales for calendar year 1995 are given in the Operating Review on pages 24 to 26.

The Financial Review set out on the following pages reviews the financial performance of the Group as reflected in the Accounts for the 18 months to 31st December 1995.

Trading profit

Glaxo continuing business

Glaxo sales totalled £5,834 million in the 12 months to 30th June 1995, an increase of £178 million over the year to 30th June 1994. Trading profit rose to £1,971 million, an increase of £154 million. At CER (as defined on page 25) sales increased by 5 per cent and trading profit by 9 per cent.

In aggregate across the Group, sales volumes increased by 7 per cent in this period but pricing pressures reduced sales growth by 2 per cent. *Zantac* continued to be the Group's biggest selling product. It achieved volume growth of 1 per cent but net price reductions resulted in a fall of 3 per cent at CER. Management of expenses held selling, general and administrative expenditure and research and development expenditure at the same level as last year. As a result the trading margin improved from 32 per cent to 34 per cent.

Acquisitions

The results of Wellcome have been consolidated into the Group results from 16th March 1995. In the period to 30th June 1995 Wellcome sales added £628 million to Group turnover and £204 million to trading profit; this represents a trading margin of 32 per cent.

The consolidation of Glaxo Korea Limited added £10 million to sales in this period but made no contribution to trading profit. The consolidation of Affymax N.V. added £4 million to operating costs.

Merged business

Following the acquisition of Wellcome, a structured process of integrating the Glaxo and Wellcome businesses commenced. Joint Glaxo Wellcome task forces, organised on a market and functional basis, developed plans and financial targets for achieving integration.

In the majority of territories, where there was both a Glaxo and a Wellcome company, management integration was achieved by 30th June 1995 and the two businesses were effectively managed on a merged basis from 1st July 1995. The results for the period from 1st July 1995 to 31st December 1995 are therefore presented on that basis. In a few territories, notably where there is a minority interest in either the Glaxo or Wellcome company, the process of integration will take longer to achieve and both the Glaxo and Wellcome companies continue to be managed independently.

Sales of the merged business for the six months totalled £4,018 million. Continued close management of expenses produced a trading profit of £1,426 million, representing a trading margin of 35 per cent. This was achieved despite the inclusion of certain non recurring expenses in this period.

Integration

Plans and financial targets for integration, as developed by the integration task forces in the period to 30th June 1995, were referred to in the Second Interim Report sent to shareholders in September 1995. The plans and targets were updated in November and December 1995 and form the basis of the figures reflected in this Annual Report and Accounts. Compared with the separate forward plans of Glaxo and Wellcome prior to Glaxo's bid for Wellcome, the new plan for the combined Group envisaged the achievement of cost savings year by year amounting to £700 million per year by the end of 1998, and progress is being made towards this objective.

The costs expected to be incurred in achieving these savings are forecast at £1,215 million. Some £452 million of the costs relate to potential losses on asset disposals resulting from site closures.

Cumulative savings are expected to achieve payback of total costs by around the end of 1997. In terms of the cash costs of £763 million, payback will be achieved earlier. The proceeds of asset disposals will reduce the net cash costs of integration.

The pace of integration, both in terms of decision making and implementation, varies across the functions of the combined Group, reflecting the relative complexity of the different operating activities. Savings in selling, general and administrative expenditure are being achieved most quickly, and major decisions in R&D are being implemented. In manufacturing, where the combined Group started with more than 60 production and packaging sites, the process of integration is taking longer; rationalising the manufacturing base involves changes in supply routes into a number of markets, requiring careful planning to preserve continuity of supply and to secure regulatory approval where there needs to be re-registration of source of supply.

To recognise the impact of integration activities, the anticipated costs of £1,215 million have been charged in the Accounts at 31st December 1995. The charge comprises costs incurred by 31st December 1995 of £384 million, and a provision for a further £831 million of costs. Taxation relief on integration amounts to £230 million. In calculating the attributable taxation, no taxation relief has been assumed on asset write downs.

Combined business

Trading profit for the period before integration costs, representing the aggregate trading profit of the Glaxo continuing business, the acquired businesses and the merged business, amounted to £3,597 million. This gives a trading margin of 34 per cent.

After integration costs of £1,215 million, the trading profit was £2,382 million.

Profit before interest

Profit before interest, comprising trading profit after integration costs and a number of other items described below, amounted to £2,474 million.

In September 1994 Glaxo India Limited disposed of its foods division, producing an exceptional profit of £35 million. After taxation and minority interests, the Group share of the profit was £14 million.

The share of profits/(losses) of associated undertakings reflects principally the results of the joint ventures with Warner-Lambert Company (WL) which had been previously established by both Glaxo and Wellcome. The Glaxo-WL joint venture has launched over-the-counter (OTC) versions of *Zantac* and *Beconase* in the UK market and has undertaken development work to launch OTC *Zantac* in the US market. The Wellcome-WL joint venture markets *Zovirax* in OTC form and is responsible for the marketing of the Wellcome range of OTC products.

In accordance with Glaxo Wellcome practice, Group sales include sales of Glaxo Wellcome products to the WL joint ventures; no amount is included in turnover for Glaxo Wellcome's share of the turnover of the joint ventures.

Interest payable

Aggregate net interest expense for the period was £87 million.

The Glaxo continuing business earned net investment income of £130 million during this period. This included residual losses of £21 million in July and August 1994 upon final closure of Glaxo's in-house investment trading operation. From August 1994 Glaxo's net funds were invested primarily in bank deposits.

Net investment income earned by the Wellcome Group in the period from 16th March 1995 to 30th June 1995 was £12 million. Interest payable by Glaxo Wellcome plc in that period on borrowings taken out to finance the acquisitions of Wellcome plc and Affymax N.V. amounted to £108 million; the consideration due to Wellcome shareholders became payable on 31st March 1995.

Net interest payable during the six months to 31st December 1995 was £121 million. During this period the majority of the Glaxo and Wellcome investment funds were used to reduce the borrowings taken out to finance the acquisitions, with a consequent reduction in the gross amounts of both interest receivable and interest payable. The effective rate of interest payable on the Group's principal borrowings during this period was approximately 7 per cent.

Taxation

The taxation charge for the period before integration was £1,097 million. As a percentage of profit before taxation of £3,602 million, this represents a rate of taxation of 30.5 per cent.

The taxation rate in respect of the continuing Glaxo business in the 12 months to 30th June 1995 was 29.5 per cent, a higher rate than in previous years reflecting lower capital allowances arising from reduced capital expenditure. In respect of the acquired businesses in the period to June 1995, tax on Wellcome profits was taken at 37 per cent and tax relief on the interest paid on acquisition finance was taken at the UK standard rate of 33 per cent. The difference between the Glaxo and Wellcome tax rates is mainly attributable to a higher proportion of Wellcome profit being earned in countries with a high standard rate of tax. The tax rate relating to the merged business for the six months from 1st July 1995 was 31 per cent.

The effective rate of taxation on Group profits is dependent on the rates of taxation that apply, and the taxation exemptions and reliefs that are available, in the countries where Glaxo Wellcome operates. The Group rate of taxation remains below the UK standard rate of taxation of 33 per cent as a result, in particular, of taxation exemptions applicable to the Group's manufacturing operations in Singapore.

The proportions of UK and overseas taxation are also affected by the extent to which earnings of overseas subsidiaries are remitted to the UK by way of dividend.

The Group seeks to manage the charge to taxation on its business activities, within the parameters of its legal obligations in all the territories where it operates.

The integrated nature of the Group's worldwide operations, involving significant investment in research and in strategic manufacture at a limited number of locations, with consequential cross-border supply routes into numerous markets, gives rise to complexity and delay in negotiations with revenue authorities of Group companies' liability to taxation.

The most significant open issues relate to international transfer pricing, notably in the UK and the US. The Group continues to defend the correctness of its internal pricing policies and the Board continues to be of the opinion that the Group has made adequate provision for all liabilities foreseen to arise from open taxation assessments.

Earnings and dividends

The total Group consolidated result for the period, after aggregating the components of Glaxo continuing business, acquisitions, merged business and integration, is a profit attributable to shareholders of £1,458 million, which produces earnings per Ordinary Share of 44.5p. Excluding integration costs and related taxation, which are non recurring, the profit attributable to shareholders is £2,443 million, producing earnings per Ordinary Share of 74.6p.

Allowing for the 18 month period, this represents significant growth over earnings per Ordinary Share of 42.7p for Glaxo alone in the previous financial year to 30th June 1994. Adjusting to a calendar year basis, which will be the Group's financial period in future, earnings attributable to the 12 months to 31st December 1995 before integration costs were 50.3p per Ordinary Share.

The Board is recommending the payment of a final dividend of 15p per Ordinary Share. Together with the first interim dividend of 10p per Ordinary Share paid on 10th April 1995 and the second interim dividend of 20p per Ordinary Share paid on 23rd October 1995, this makes a total dividend of 45p for the 18 months to 31st December 1995. On an annualised basis, this represents an annual dividend of 30p, which represents an increase of 11 per cent over the dividend of 27p for the 12 months to 30th June 1994.

The final dividend will be paid on 20th May 1996 (30th May 1996 to ADR holders) to shareholders on the register on 26th March 1996. A scrip dividend alternative will be offered to shareholders in respect of the final dividend. See Shareholder Information on page 86 for further details.

Dividend cover, being the relationship between earnings and dividends, is 1.7 for the 18 months ended 31st December 1995 based on earnings before integration costs. It is the Board's intention that dividends should increase broadly in line with earnings growth, taking into account the Group's funding situation and prospects for the future.

Acquisition of Wellcome plc

	£m
Shares issued:	
Share capital	107
Merger reserve	2,834
Net cash paid	6,320
Acquisition expenses:	
Stamp duty	48
Professional fees	24
Total consideration	9,333

Balance sheet

The Group balance sheet at 31st December 1995 is summarised below:

	31.12.95 £m	30.6.94 £m
Net operating assets	3,417	3,058
Net (debt)/funds	(3,196)	2,091
Net assets	221	5,149
Share capital and reserves	5,288	5,026
Goodwill reserve	(5,197)	-
Shareholders' funds	91	5,026
Minority interests	130	123
Financing	221	5,149

The reduction in net assets reflects the debt taken on to finance the Wellcome acquisition. The reduction in shareholders' funds reflects the goodwill arising on acquisition taken to reserves and the impact of integration. It is expected that profit generated from the merged business, and the consequential cash flow, will progressively rebuild shareholders' funds and net assets.

Acquisitions

Wellcome plc

On 23rd January 1995 the Company announced its Final Offer to acquire the whole of the issued share capital of Wellcome plc on the basis of £722 in cash and 47 new Glaxo Ordinary Shares for every 100 Wellcome Ordinary Shares (or 100 American Depositary Shares). The offer was declared unconditional in all respects on 16th March 1995, at which point the Company had received acceptances for approximately 86.1 per cent of the issued share capital of Wellcome plc.

Further acceptances were received subsequently and on 21st June 1995, in exercise of its rights under the Companies Act 1985, the Company acquired compulsorily non assenting Wellcome Ordinary Shares, thereby achieving 100 per cent ownership. Additionally, following an offer to employees of Wellcome who held share options under Wellcome share option schemes, the Company bought out share options not exercised at a price equivalent to the offer price.

Wellcome plc has been consolidated as a 100 per cent subsidiary undertaking from 16th March 1995.

The total consideration payable for the acquisition of Wellcome Ordinary Shares and share options amounted to £9,333 million. This is analysed in the table above. The value of each Glaxo Ordinary Share is taken as the closing price of £6.90 on the day before the offer was declared unconditional. The cash consideration and the acquisition expenses were funded by drawing on revolving credit facilities negotiated for the purposes of the offer.

In accounting for the acquisition of Wellcome on 16th March 1995 the consideration payable is allocated between the net assets acquired and goodwill as set out below:

	£m
Fair value of net assets acquired	2,307
Goodwill	7,026
Total consideration	9,333

The net assets acquired represent the separable net assets of the Wellcome Group at 16th March 1995, including assets held for disposal, adjusted to fair values as described in Note 24 on the Annual Accounts. No value is attributed to intangible assets retained because, in the opinion of the Directors, such assets are not separable from the underlying business.

The difference between consideration and the fair value of the net assets acquired is treated as goodwill. Goodwill represents the value to Glaxo in the Wellcome business that is not reflected in the accounting values of separable assets and liabilities. It includes the know how, the patents and the trade marks of the Wellcome business, and the business skills and organisational structures integral to realising that value.

In accordance with Glaxo accounting policies, based on current UK accounting standards, the total goodwill of £7,026 million arising on the acquisition has been taken to reserves. As permitted by UK company law, £2,834 million of goodwill has been applied against the merger reserve arising from the premium on the new Ordinary Shares issued.

Other acquisitions

Details of the acquisitions of Affymax N.V. and Glaxo Korea Limited, and the goodwill arising, are given in Note 24.

Additionally in the period from 1st July to 31st December 1995, the Company made investments in Cascan GmbH & Co. KG and in Medikredit, as also described in Note 24, which gave rise to goodwill.

Goodwill on consolidation

The total goodwill on consolidation in respect of acquisitions during the period amounts to £8,031 million as set out below. This includes goodwill of £618 million on Wellcome plc's investment in its OTC joint venture. £2,834 million of the goodwill on the acquisition of Wellcome plc has been applied against the merger reserve. The balance of £5,197 million has been taken to the goodwill reserve.

	£m
Wellcome plc	7,026
Affymax N.V.	299
Glaxo Korea Limited	15
Others	73
OTC joint venture	618
	8,031
To merger reserve	(2,834)
To goodwill reserve	5,197

Net debt

To finance the acquisition of Wellcome plc, Glaxo entered into revolving credit facility agreements with nine banks, whereby each bank agreed to lend up to £900 million, to provide an aggregate facility of £8.1 billion. The facilities were provided for three years, at an interest rate of 0.2 per cent over the London Interbank Offered Rate.

A total of £6 billion was drawn down against the facilities to fund the cash consideration payable to Wellcome shareholders. Drawings on the facilities were progressively reduced: by realising a substantial part of the Group's cash investments; by utilising existing commercial paper programmes; from the proceeds of issue of two Eurobonds, both issued in London and listed on the

London Stock Exchange; and from cash generated from operations.

A new US\$5 billion commercial paper programme was arranged in New York, supported by committed bank facilities of US\$3.8 billion. Issues of commercial paper under this programme were used to repay in full the drawings under the revolving credit facilities, which were then cancelled.

At 31st December 1995 the Group's net debt amounted to £3,196 million. Net debt included borrowings of £1.7 billion denominated in foreign currencies which are treated as hedged against the Group's overseas assets.

Disposals

Since the acquisition of Wellcome plc, the Group has announced plans to dispose of certain of the acquired Wellcome assets.

In December 1995 the Group disposed of Hazeline, a cosmetics business based in Singapore, for a consideration of £95 million before tax. The Hazeline business was outside the core activities of the combined Glaxo Wellcome Group. As the business had been identified for disposal, the relevant assets have been stated at the cash proceeds of disposal, and a consequential tax liability established, for the purposes of arriving at the fair value of the business as reflected in the acquired assets of the Wellcome Group as at 16th March 1995. Accordingly no trading results of the Hazeline business since 16th March, nor the profit on disposal of the business, are reflected in the Group consolidated profit and loss account.

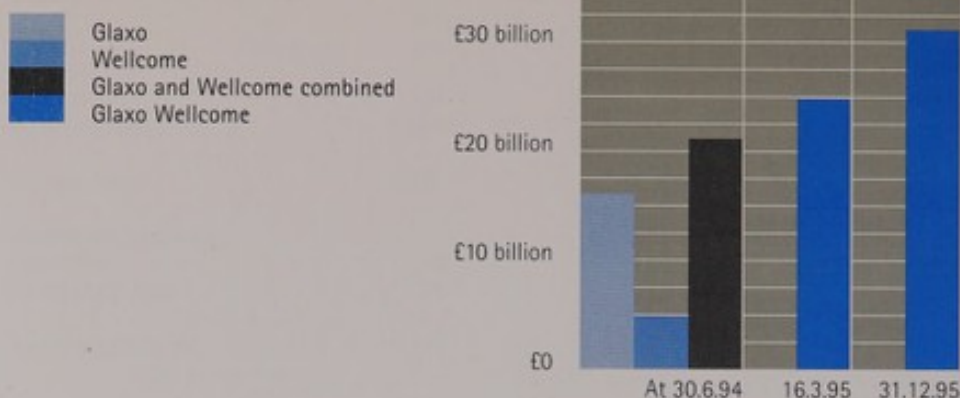
In accordance with commitments entered into by the Group with competition authorities at the time of the bid for Wellcome plc, the Company signed a memorandum of understanding in February 1996 for the disposal of 311C.90, a compound in development by Wellcome for the treatment of migraine.

The consideration for the disposal is based on a series of stage payments which are dependent on satisfactory progress of the product through regulatory approval and in to market. The consideration has been valued at estimated cash proceeds of £150 million for the purposes of ascribing a value to 311C.90 in the acquired assets of Wellcome plc at 16th March 1995, and a consequential tax liability established.

In December 1995 the Company announced that it had reached agreement with Warner-Lambert Company (WL) to restructure the joint venture that had existed between Glaxo and WL for the sale of OTC products to include Wellcome's *Zovirax* and to sell to WL for a consideration of \$1.05 billion the Group investment in the joint venture between Wellcome and WL for the sale of OTC products excluding *Zovirax*. Since it was not the original intention to dispose of the investment and its disposal is dependent on the outcome of satisfactory negotiations with WL, it has been treated as a post acquisition event. As from 16th March 1995 the investment has been accounted for as an investment in an associated undertaking. Its fair value at 16th March 1995 has been taken as the proceeds of disposal, and a consequential deferred tax liability established. In accordance with the Company's accounting policies, goodwill arising on the difference between the fair value on acquisition and the net tangible assets of £14 million has been taken to reserves. The results have been consolidated as a share of profits of associated undertakings. The disposal is scheduled for completion in 1996. The profit arising on disposal will be offset by an equivalent write off of goodwill (in accordance with Abstract 3 of the Urgent Issues Task Force), so the effect on the Group consolidated profit and loss account will be neutral.

The proceeds of the disposals will be used to reduce the Group's net debt.

Stock market capitalisation



Cash flow and liquidity

As indicated by the consolidated cash flow statement, during the period the Group generated net cash from operating activities of £3,835 million after integration costs paid of £269 million. The funds generated were sufficient to meet all the Group's cash requirements during the period, including dividend payments of £1,525 million, payments to tax authorities of £1,070 million and capital expenditure of £684 million. The rate of capital expenditure has fallen from the previous year's level, reflecting completion of the Medicines Research Centre at Stevenage and a curtailment of capital spending pending review of all projects as part of the integration process.

The Group expects that future operating cash flow will be sufficient to fund its operating and debt service costs, to satisfy future capital expenditure and other commitments and to permit progressive repayment of debt. Capital expenditure is expected to be approximately £450 million in the 1996 financial year.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Accounts.

Treasury policy

The Group seeks to manage and monitor the Group's external and internal funding requirements and treasury risks in support of Group corporate objectives. Treasury policies are approved and monitored by the Board.

Net debt was established on an initial approximate 50:50 fixed:floating interest rate split. A limited number of interest rate swaps have been established to help achieve this profile. The ratio has been allowed to fluctuate in line with subsequent cash generation.

Foreign currency transaction exposure is not normally hedged. Exceptional planned UK foreign currency cash flows, such as intra group dividends, are hedged selectively by Group Treasury to prevent fluctuation in the anticipated sterling value.

Borrowings denominated in foreign currencies which are used to finance investments in overseas Group companies are treated as a hedge against the relevant net assets. Otherwise investments in overseas companies are financed by share capital and retained profits.

Financial policy

The Group adopts prudent financial practices and accounting policies.

The Group complies with all applicable UK accounting standards and guidance and seeks to be in the forefront of best accounting and reporting practice.

Market capitalisation

The overall value of the business as indicated by its stock market capitalisation is considerably higher than the net asset value shown on the balance sheet. The difference arises because the Group has significant assets which, under current accounting conventions and in accordance with Group accounting policies, are not included on the consolidated balance sheet. Research and development expenditure is written off as it is incurred and not capitalised, and internally developed trade marks and patents are not carried on the balance sheet.

The table above indicates:

- the separate and combined market capitalisations of Glaxo and Wellcome on 30th June 1994, the end of the Company's last financial period;
- the effective market capitalisation of Glaxo Wellcome plc on 16th March 1995, the date that Glaxo's offer for Wellcome was declared unconditional;
- the market capitalisation of Glaxo Wellcome plc at 31st December 1995.

The table does not reflect the additional value created at 16th March 1995 by the £6 billion cash paid to shareholders of Wellcome plc as a result of the acquisition.

The increase in the Company's market capitalisation during 1995 reflects in part a re-rating by the investment community of the prospects for the healthcare sector generally. It also reflects investor confidence in the strategy and potential of Glaxo Wellcome plc.

Glaxo Wellcome plc was the largest company by market capitalisation on the FTSE 100 index on the London Stock Exchange at 31st December 1995.

Corporate Matters

Directors

The Directors of the Company as at 31st December 1995 are shown on page 5, with their biographical details on page 4. Mr J H McArthur, having been appointed since 31st December 1995, is also shown on page 5 with his biographical details on page 4. Each of the Directors has served on the Board throughout the 18 month period under review with the following exceptions:

Sir Paul Girolami retired as Chairman and as a Director on 18th November 1994; Sir Colin Corness was appointed a Non-Executive Director on the same date and was subsequently appointed Chairman on 18th January 1995;

Dr F B Humer and Mr H Konishi resigned from the Board on 1st December 1994 and 3rd January 1995 respectively;

Dr C A Sanders resigned from the Board on 17th May 1995 and on the same date Mr R A Ingram was appointed a Director with responsibility for the Group's activities in the Americas;

Mr N Maidment retired from the Board on 30th June 1995;

Dr J E Nidel and Mr J M T Cochrane were appointed Directors of the Company on 1st July 1995, with responsibility for Research and Development and Commercial Development respectively; on the same date Mr D C Bonham was appointed a Non-Executive Director of the Company;

Lord Cuckney and Mr J L Ferguson retired from the Board on 17th November 1995;

Mr McArthur was appointed a Non-Executive Director of the Company on 5th March 1996.

At the Annual General Meeting to be held on 16th May 1996, Mrs A A L Armstrong, Lord Kingsdown and Mr S P Lance retire by rotation and offer themselves for re-election. Mr McArthur having been appointed since the last Annual General Meeting retires in accordance with the Articles and being eligible offers himself for election. Mr Lance has a service contract with the Company, which may be determined by notice to him of two years. Mrs Armstrong, Mr McArthur and Lord Kingsdown do not have service contracts with the Company or any of its subsidiary undertakings.

Insurance for Directors and Officers

Insurance policies are maintained by the Company for its Directors and Officers against liabilities in relation to the Company.

Substantial shareholdings

At 1st March 1996, the Company had received notification of the following interests of 3 per cent or more in its Ordinary Shares:

BNY (Nominees) Limited holds 354,286,863 Ordinary Shares representing 10.09 per cent. These Ordinary Shares are held on behalf of holders of American Depositary Receipts.

The Wellcome Trust holds 167,746,940 Ordinary Shares representing 4.78 per cent.

The Prudential Corporation Group holds 107,155,361 Ordinary Shares representing 3.05 per cent.

Political contributions

The Company contributed £12,000 for political purposes in the UK during the 18 months to 31st December 1995 to the Centre for Policy Studies. The Company has decided to make no further political contributions.

Annual General Meeting

The Annual General Meeting will be held on 16th May 1996 at The London Hilton on Park Lane, 22 Park Lane, London W1.

As special business at the Annual General Meeting the Company will seek to renew authorities granted at the Annual General Meeting on 17th November 1995, to purchase its own Ordinary Shares up to a maximum of just under 10 per cent of the issued share capital and to disapply pre-emption rights. Authority to empower the Directors to make limited amendments to the Glaxo Wellcome Savings Related Share Option Schemes will also be sought.

Resolutions will be proposed to reappoint Coopers & Lybrand as auditors and to authorise the Directors to fix their remuneration.

Corporate Governance

The Company pursues its corporate purpose with the objective of enhancing shareholder value. Fundamental to the fulfilment of corporate responsibilities and the achievement of financial objectives is an effective system of corporate governance.

Board and committee structure

The Board of Glaxo Wellcome plc is responsible for the Group's system of corporate governance and is ultimately accountable for its activities throughout the world. The Board comprises Executive and Non-Executive Directors. The role of Non-Executive Directors is to bring independent judgement to Board deliberations and decisions.

The offices of Chairman and Chief Executive are held separately. The Chairman is a Non-Executive Director. The Chief Executive is also Deputy Chairman.

The Board meets regularly throughout the year. It has a formal schedule of matters reserved to it for decision but otherwise delegates specific responsibilities to committees, as described below.

The Group Executive Committee is responsible for the executive management of the Group. It is chaired by the Chief Executive and comprises the Executive Directors and other Senior Managers as detailed on page 8. The Committee meets monthly and its minutes are placed on the agenda of the Board.

The Audit Committee reviews the half year and full year results and the Interim and Annual Report and Accounts prior to their submission to the Board and considers any matters raised by the external or internal auditors. The Committee is chaired by Mr D C Bonham. It meets four times a year with the Chief Executive and the Finance Director and the external and internal auditors in attendance.

The Remuneration Committee approves the remuneration of the Executive Directors and is responsible for the policy and operation of the Glaxo Wellcome Share Option Schemes. The Committee is chaired by the Chairman. The Chief Executive attends its meetings except when his own remuneration is being considered.

The Group Appeals Committee carries out the Board's policy on charitable donations. The Committee is chaired by Mr D J Derx. The Committee meets quarterly.

The members of the Audit Committee, the Remuneration Committee and the Group Appeals Committee are detailed on page 4.

Pension schemes

The Company and a number of its overseas subsidiary undertakings have established pension schemes for the administration of staff retirement benefits. In the UK the Company and its UK subsidiary undertakings participate in and contribute to pension schemes which are administered separately from the Group by formally constituted trustee companies. A number of the Company's Executive and Non-Executive Directors, together with a number of external Directors, serve on the Boards of the trustee companies.

Accountability and control

Glaxo Wellcome operates, and attaches importance to, clear principles and procedures designed to achieve the accountability and control appropriate to a science based business operating multinationally in a highly regulated business sector.

The main precepts of this corporate ethos are:

- concentration on, and expertise in, a single industry sector;
- central direction, resource allocation and risk management of the key functional activities of product strategy, research and development, manufacture and financial practice;
- formally constituted subsidiary undertakings in all significant world markets, with operating and financial responsibility clearly delegated to local boards;
- lines of management responsibility from general managers of subsidiary undertakings to Executive Directors of Glaxo Wellcome plc.

These principles are designed to provide an environment of central leadership and local operating autonomy as the framework for the exercise of accountability and control by the Board, its Committees and executive management.

Essential features of the Company's system of internal control comprise:

- focus on key business objectives;
- integrated Group-wide financial approval and reporting procedures;
- central promulgation of functional policy and monitoring of compliance (including on-site audit of product quality, manufacturing standards, environmental care, health and safety, insurable risk, and financial practice);
- central ratification of appointments to the boards of subsidiary undertakings.

Cadbury Code of Best Practice

In December 1992 the Committee on the Financial Aspects of Corporate Governance (the Cadbury Committee) published a Code of Best Practice. The Code contains 19 recommendations as to best practice in terms of the control and reporting functions of boards of directors. Two reporting recommendations, relating to the effectiveness of internal controls and confirmation that the business is a going concern, where implementation had been deferred pending development of guidance on compliance by the accounting profession, became operative during the period covered by this Report on issue of the relevant guidance.

The Board considers that throughout the financial period under review the Company complied with all 19 recommendations of the Code.

The guidance on reporting on internal control focuses on internal financial control, defined as the internal controls established to provide reasonable assurance of:

- the safeguarding of assets against unauthorised use or disposition;
- the maintenance of proper accounting records and the reliability of financial information used within the business or for publication.

The Directors are responsible for the Company's system of internal financial control. Such a system can provide only reasonable and not absolute assurance against material misstatement or loss. The Board through the Audit Committee has reviewed the effectiveness of the Company's system of internal financial control in operation for the period covered by the Accounts. Following the acquisition of Wellcome plc in March 1995 the Wellcome Group continued to operate under its existing system of internal financial control. With the subsequent integration of Wellcome companies with Glaxo companies, the Company's system of internal financial control applied formally to the integrated business from 1st July 1995.

In accordance with the guidance on going concern, the Directors' report on going concern is included in the Financial Review on page 38.

As recommended by the Cadbury Committee, and required by the London Stock Exchange, the auditors have considered the Directors' statement of compliance in relation to those points of the Code which can be objectively verified. Their report to the Board is set out on page 43.

The Report of the Directors has been approved by the Board and signed on its behalf by:

S J Cowden
Secretary
Lansdowne House
Berkeley Square
London
W1X 6BQ
11th March 1996

Directors' Statements of Responsibility

Directors' Statement of Responsibility in relation to the Accounts

The Directors are required by law to prepare accounts for each financial period which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial period and of the profit or loss for that period. The Directors confirm that suitable accounting policies have been consistently applied in the preparation of the Accounts, subject to the change of accounting policy referred to in Note 3 on the Accounts, supported by reasonable and prudent judgements and estimates as necessary; applicable accounting standards have been followed, and the Accounts have been prepared on the going concern basis.

The Directors are responsible for ensuring the maintenance of proper accounting records, which disclose with reasonable accuracy the financial position of the Group at any time and from which accounts can be prepared to comply with the Companies Act 1985. They are also responsible for ensuring the operation of systems of internal control for safeguarding the assets of the Group and for preventing and detecting fraud and other irregularities.

Sir Colin Corness
Chairman

Approved by the Board
11th March 1996

Directors' Statement of Responsibility in relation to the Report of the Remuneration Committee

The Remuneration Committee is responsible to the Board for the remuneration of the Executive Directors.

The Report of the Remuneration Committee on remuneration policy and on the remuneration earned by Executive Directors during the 18 months to 31st December 1995 is set out on pages 74 to 79. The Report complies with the recommendations of the Greenbury Committee as implemented by the London Stock Exchange in its Listing Rules for listed companies with a financial year end of 31st December 1995.

The Report also includes details of the remuneration of the Non-Executive Directors. The remuneration of the Non-Executive Directors, other than the Chairman, is fixed by the Non-Executive Directors Remuneration Committee consisting of the Chairman and the Deputy Chairman and Chief Executive. The remuneration of the Chairman is fixed by the whole Board, excluding the Chairman.

For convenience, the Report includes all other disclosable information relating to Directors and their interests.

The Report of the Auditors to the Members of Glaxo Wellcome plc, on page 43 opposite, covers the disclosures specified for audit by the Listing Rules.

Sir Colin Corness
Chairman
Remuneration Committee
on behalf of the Board
11th March 1996

Reports by the Auditors

To the members of Glaxo Wellcome plc

We have audited the Accounts on pages 44 to 67 and the Report of the Remuneration Committee on pages 74 to 79.

Respective responsibilities of Directors and Auditors

As described opposite, the Directors of the Company are responsible for the preparation of the Accounts. It is our responsibility to form an independent opinion, based on our audit, on those Accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the 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 Accounts give a true and fair view of the state of affairs of the Company and the Group at 31st December 1995 and of the profit, total recognised gains and losses and cash flows of the Group for the 18 months then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand
Chartered Accountants
and Registered Auditors
London
11th March 1996

To Glaxo Wellcome plc on corporate governance matters

In addition to our audit of the Accounts, we have reviewed the Directors' statements on page 41 on the Company's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code which is not disclosed.

Basis of opinion

We carried out our review in accordance with Bulletin 1995/1 'Disclosures relating to corporate governance' issued by the Auditing Practices Board. That Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Company's system of internal financial control or its corporate governance procedures, nor on the ability of the Company to continue in operational existence.

Opinion

With respect to the Directors' statements on internal financial control on page 41 and going concern on page 38, in our opinion the Directors have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain Directors and officers of the Company, and examination of relevant documents, in our opinion the Directors' statement on page 41 appropriately reflects the Company's compliance with the other paragraphs of the Code specified for our review.

Coopers & Lybrand
Chartered Accountants
London
11th March 1996

Consolidated Profit and Loss Account

	Notes	12 months to 30.6.95	6 months to 31.12.95			18 months to 31.12.95	12 months to 30.6.94 (restated)	
		Glaxo continuing business £m	Acquisitions £m	Merged business £m	Combined business £m	Integration £m	Total £m	£m
Turnover	26	5,834	638	4,018	10,490	-	10,490	5,656
Operating costs	5	3,863	438	2,592	6,893	1,215	8,108	3,839
Trading profit	26	1,971	200	1,426	3,597	(1,215)	2,382	1,817
Profit on disposal of business	7	35	-	-	35	-	35	-
Share of profits/(losses) of associated undertakings	8	(8)	26	39	57	-	57	(3)
Profit before interest		1,998	226	1,465	3,689	(1,215)	2,474	1,814
Net (interest payable)/investment income	9	130	(96)	(121)	(87)	-	(87)	21
Profit on ordinary activities before taxation	26	2,128	130	1,344	3,602	(1,215)	2,387	1,835
Taxation	10	627	53	417	1,097	(230)	867	524
Profit on ordinary activities after taxation		1,501	77	927	2,505	(985)	1,520	1,311
Minority interests		39	5	18	62	-	62	12
Profit attributable to shareholders		1,462	72	909	2,443	(985)	1,458	1,299
Dividends	12	1,004	-	526	1,530	-	1,530	823
Retained (loss)/profit	23	458	72	383	913	(985)	(72)	476
Earnings per Ordinary Share	11	47.8p			74.6p		44.5p	42.7p
Weighted average number of shares in issue (millions)		3,056			3,274		3,274	3,040
Dividends per Ordinary Share	12				45.0p		45.0p	27.0p

The basis of analysis between Glaxo continuing business, Acquisitions, Merged business and Integration is set out in Note 1 on the Accounts.

Consolidated Balance Sheet

		Notes	At 31.12.95 £m	At 30.6.94 (restated) £m
Fixed assets	Tangible assets	13	4,165	3,184
	Investments	14	96	55
			4,261	3,239
Current assets	Stocks	15	811	575
	Debtors	16	2,045	1,310
	Asset for disposal	24	150	-
	Investments	18	1,041	2,708
	Cash at bank	18	233	55
			4,280	4,648
Creditors: amounts due within one year	Loans and overdrafts	18	3,004	400
	Other creditors	17	2,462	1,730
			5,466	2,130
Net current (liabilities)/assets			(1,186)	2,518
Total assets less current liabilities			3,075	5,757
Creditors: amounts due after one year	Loans	18	1,343	143
	Convertible bonds	18	123	129
	Other creditors	17	71	26
			1,537	298
Provisions for liabilities and charges		19	1,317	310
Net assets		26	221	5,149
Capital and reserves	Called up share capital	22	876	762
	Share premium account	22	373	229
	Goodwill reserve	23	(5,197)	-
	Other reserves	23	4,039	4,035
Equity shareholders' funds			91	5,026
Equity minority interests			130	123
Capital employed			221	5,149

Sir Colin Corness
Chairman
Approved by the Board
11th March 1996

Consolidated Cash Flow Statement

	Notes	18 months to 31.12.95 £m	12 months to 30.6.94 £m
Net cash inflow from operating activities	25	3,835	2,145
Net cash outflow from returns on investments and servicing of finance			
Interest received		291	168
Interest paid		(288)	(42)
Costs of financing		(9)	-
Losses on investment activities		(1)	-
Dividends received from associated undertakings		39	-
Dividends paid to ordinary shareholders		(1,508)	(698)
Dividends paid to minority shareholders		(17)	(7)
		(1,493)	(579)
Taxation paid		(1,070)	(513)
Net cash outflow from investing activities			
Purchase of tangible fixed assets		(684)	(575)
Sale of tangible fixed assets		61	22
Purchase of fixed asset investments		(35)	(4)
Sale of fixed asset investments		37	-
Purchase of subsidiary undertakings	25	(6,187)	(2)
Disposal of businesses	25	132	-
Other movements		-	4
Net cash outflow on fixed assets		(6,676)	(555)
Purchase of non cash equivalent current asset investments		(5,974)	(12,849)
Sale of non cash equivalent current asset investments		8,044	12,041
		(4,606)	(1,363)
Net cash outflow before financing		(3,334)	(310)
Net cash inflow from financing			
Issue of Ordinary Share capital		106	51
New long term loans		8,424	-
Repayment of long term loans		(7,290)	-
New short term loans		11,298	1,638
Repayment of short term loans		(8,697)	(1,650)
		3,841	39
Increase/(decrease) in cash & cash equivalents	25	507	(271)
Increase in net (debt)/funds	25	(5,287)	403

The reconciliation between the increase/(decrease) in cash & cash equivalents and the increase in net (debt)/funds is set out in Note 25.

Statement of Total Recognised Gains and Losses

	Notes	18 months to 31.12.95 £m	12 months to 30.6.94 (restated) £m
Profit attributable to shareholders		1,458	1,299
Exchange adjustments		76	(61)
Total recognised gains and losses for the period		1,534	1,238
Prior period adjustment	3	(17)	
Total gains and losses recognised since 30th June 1994		1,517	

Reconciliation of Movements in Equity Shareholders' Funds

	Notes	18 months to 31.12.95 £m	12 months to 30.6.94 (restated) £m
Balance at the beginning of the period as previously stated		5,043	4,546
Prior period adjustment	3	(17)	(14)
Balance at the beginning of the period restated		5,026	4,532
Total recognised gains and losses for the period		1,534	1,238
Dividends	12	(1,530)	(823)
Ordinary Shares issued:			
Ordinary Shares issued on acquisition of Wellcome plc	22	107	-
Merger reserve arising on acquisition of Wellcome plc	22	2,834	-
Ordinary Shares issued under share option schemes	22	106	51
Ordinary Shares issued in lieu of cash dividends	22	45	31
Goodwill arising during the period	23	(8,031)	(3)
Balance at the end of the period		91	5,026

Company Balance Sheet

		Notes	At 31.12.95 £m	At 30.6.94 (restated) £m
Fixed assets	Tangible assets	27	21	31
	Shares in Glaxo Group Limited – at cost		742	742
	Shares in Wellcome plc – at cost		9,537	–
			10,300	773
Current assets	Debtors	27	657	1,331
	Cash at bank		5	19
			662	1,350
Creditors: amounts due within one year	Loans and overdrafts		4,650	71
	Other creditors	27	592	666
			5,242	737
Net current (liabilities)/assets			(4,580)	613
Total assets less current liabilities			5,720	1,386
Creditors: amounts due after one year	Loans		1,215	–
	Convertible bonds	18	123	129
			1,338	129
Provisions for liabilities and charges		27	27	33
Net assets			4,355	1,224
Capital and reserves	Called up share capital	22	876	762
	Share premium account	22	373	229
	Merger reserve	22	2,834	–
	Other reserves	23	272	233
Equity shareholders' funds			4,355	1,224

Sir Colin Corness
Chairman
Approved by the Board
11th March 1996

Notes on the Accounts

1 Presentation of Accounts

Composition of Accounts

The Accounts comprise:

- Consolidated Profit and Loss Account
- Consolidated Balance Sheet
- Consolidated Cash Flow Statement
- Statement of Total Recognised Gains and Losses
- Reconciliation of Movements in Equity Shareholders' Funds
- Company Balance Sheet
- Notes on the Accounts

As permitted by Section 230 of the Companies Act 1985, the Profit and Loss Account of the Company is not presented.

The Statement of Total Recognised Gains and Losses comprises the realised profit attributable to shareholders as reflected in the Consolidated Profit and Loss Account together with the unrealised gain or loss in the value of the Company's overseas net assets, less related foreign currency borrowings, attributable to currency movements over the period.

The Reconciliation of Movements in Equity Shareholders' Funds comprises the items contributing to the decrease or increase over the period in shareholders' funds. Such items include the total recognised gains and losses for the period, dividends paid and proposed, and the proceeds of shares issued during the period. The Reconciliation also includes the goodwill arising on acquisitions during the period which, in accordance with the Company's accounting policies, is set directly against reserves.

Accounting policies

The Accounts have been prepared in accordance with the Company's accounting policies described in Note 2. Except for the change of accounting policy described in Note 3, these policies are unchanged from the year to 30th June 1994.

As described in Note 24, the Company has made a number of acquisitions during the period. The Company's accounting policies in respect of acquisitions are set out in Note 2 under "Consolidated accounts". In accounting for the acquisitions, the Company has implemented Financial Reporting Standard 6 "Acquisitions and Mergers" and Financial Reporting Standard 7 "Fair Values in Acquisition Accounting". These standards provide additional guidance in respect of accounting for acquisitions. In particular, under FRS7, the costs of integrating an acquired business, even if inherent in the acquisition decision, are dealt with as a post acquisition event through the profit and loss account, rather than as a provision in the fair value of the net assets acquired.

The Company has implemented Abstract 13 of the Urgent Issues Task Force "Accounting for Employee Share Ownership Plan Trusts".

Presentation of Profit and Loss Account

The Company has presented the profit and loss account in columnar form to illustrate the respective effect on the results for the period of the acquisitions during the period and their subsequent integration. This analysis is consistent with the way the business was managed and reported during the period. The analysis by column is defined as follows:

Glaxo continuing business reflects the results of the Glaxo business for the 12 months to 30th June 1995. Net investment income is stated as if Glaxo's investment funds had been available for investment throughout the period.

Acquisitions reflects the trading results of the acquisitions from their respective dates of acquisition to 30th June 1995. Interest payable on acquisitions represents the interest costs on borrowings taken out to finance the acquisitions, as if none of the combined Group's investment funds had been utilised to reduce borrowings. Taxation is stated at the rates applicable to the acquired businesses and to the interest costs.

Merged business reflects the results for the six months from 1st July 1995, from which date the continuing and acquired businesses were effectively merged and managed on a unified basis. It is therefore not feasible to identify and report separately the acquired businesses from 1st July 1995.

Integration reflects the costs charged relating to the integration of the continuing and acquired businesses. Taxation is stated at the rates applicable to integration costs and internal restructuring.

The Company has adopted a functional analysis of operating costs, in accordance with Profit and Loss Account Format 1 under the Companies Act 1985, in order to provide a more useful analysis of operating performance. Share of profits or losses of associated undertakings is now shown below trading profit. Prior year figures have been restated to reflect the new presentation.

2 Accounting policies and definitions**Accounting convention**

The Accounts have been prepared using the historical cost convention.

Accounting standards

The Accounts comply with all applicable UK accounting standards.

Consolidated accounts

- The Accounts incorporate the audited assets and liabilities and results of subsidiary undertakings and the Group's share of associated undertakings for the period. A list of the subsidiary and associated undertakings which, in the opinion of the Directors, principally affected the amount of profit or the net assets of the Group is given on page 85.
- Trading results relating to periods before the undertakings became, or after they ceased to be, subsidiary or associated undertakings are excluded from the consolidated profit and loss account.
- Goodwill, being the excess of the purchase consideration of shares in subsidiary and associated undertakings over the Group's share of the net assets acquired, is taken to consolidated reserves in the year of acquisition.
- Transactions and balances between subsidiary undertakings have been eliminated; no profit is taken on sales between subsidiary undertakings or sales to associated undertakings until the products are sold to customers outside the Group.
- Deferred taxation relief on unrealised intra group profit is accounted for only to the extent that the related taxation effect is expected to reverse.
- Assets and liabilities of overseas subsidiary and associated undertakings are translated into sterling at rates of exchange ruling at the balance sheet date. The results and cash flows of overseas subsidiary and associated undertakings are translated into sterling using average rates of exchange. Exchange adjustments arising when the opening net assets and the profits for the year retained by overseas subsidiary and associated undertakings are translated into sterling, less exchange differences arising on related foreign currency borrowings, are taken directly to reserves.
- Adjustments are made to compensate for the effects of inflation in hyper inflationary economies. Any loss on net working capital is charged to the consolidated profit and loss account.

Foreign currencies

Foreign currency transactions by Group companies are booked in local currency at the exchange rate ruling on the date of transaction and foreign currency assets and liabilities are converted into local currency at rates of exchange ruling at the balance sheet date; exchange differences are included in trading profit.

Turnover

Turnover shown in the consolidated profit and loss account represents goods invoiced during the period to external customers and associated undertakings, excluding value added tax and other sales taxes, less trade discounts and rebates.

Research and development

Research and development expenditure is charged to the consolidated profit and loss account in the period in which it is incurred. Tangible fixed assets used for research and development are depreciated in accordance with the Group's policy.

Share incentive schemes

The cost of shares purchased to fund awards under the Company's Long Term Incentive Plan is charged to the consolidated profit and loss account over the three year period measured by the performance target in proportion to the percentage award that is expected to vest.

Retirement benefits

The cost of providing pension benefits is charged to the consolidated profit and loss account on a systematic and rational basis over the period during which benefit is derived from employees' services. Any difference between this charge and the contributions paid to pension schemes is included as an asset or liability in the consolidated balance sheet.

Tangible fixed assets

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 consolidated 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 buildings	25 to 50 years
Leasehold land and buildings	The shorter of lease term and 50 years
Plant and machinery	10 to 20 years
Fixtures and equipment	4 to 10 years

2 Accounting policies and definitions

Fixed asset investments

Investments in associated undertakings are carried in the consolidated balance sheet at the Group's share of their net tangible assets at dates of acquisition and their post acquisition retained profits or losses. Other fixed asset investments are carried at cost less provision for permanent diminution in value.

Stocks

Stocks are included in the Accounts at the lower of cost (including manufacturing overheads, where appropriate) and net realisable value.

Current asset investments

Current asset investments are stated at the lower of cost and realisable value. In the case of securities acquired at a significant premium or discount to maturity value, and intended to be held to redemption, cost is adjusted to amortise the premium or discount over the life to maturity of the security. Floating rate bonds are stated at cost. Interest income is taken to the consolidated profit and loss account on a receivable basis and includes the interest element of related foreign currency transactions. Any change in the value of current asset investments on redemption, maturity or sale is taken to the consolidated profit and loss account as realised gains/(losses).

Debt instruments

Debt instruments are stated at the amount of net proceeds adjusted to amortise the finance cost of debt over the term of the debt. Interest differentials under interest swap agreements are recognised by adjustment of interest expense.

Deferred taxation

Deferred taxation, calculated using the liability method, is accounted for by each Group company for taxation deferred or accelerated by reason of timing differences. Deferred taxation relief is accounted for in full on long term timing differences in respect of provisions for unfunded retirement benefits. Taxation deferred or accelerated by reason of short term and other timing differences is accounted for to the extent that it is probable that a liability or asset will crystallise. Advance corporation tax is carried forward to the extent that it is expected to be recovered.

Cash & cash equivalents

Cash & cash equivalents for the purpose of the consolidated cash flow statement comprise cash at bank, current asset investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired, less bank loans and overdrafts repayable within three months from the date of the advance.

3 Change of accounting policy

In accordance with Urgent Issues Task Force Abstract 6, the accounting policy for post retirement benefits other than pensions provided for employees has been changed with effect from 1st July 1994. The cost of such benefits, principally post retirement healthcare, is now recognised on an accruals basis over the working life of employees, whereas in prior years the cost was accounted for on a cash basis after employees had retired. The cumulative adjustment in respect of the accrued cost at 1st July 1994, net of deferred taxation relief, amounts to £17 million and has been charged directly against reserves as a prior year adjustment. The comparative figures for the 12 months to 30th June 1994 have been restated: the effect on the results of that period is to reduce trading profit by £5 million and taxation by £1 million. The effect on the results for the 18 months to 31st December 1995 is to reduce trading profit before integration costs by £13 million, increase integration costs by £30 million and reduce taxation by £14 million.

4 Exchange rates

The Group uses the average of exchange rates prevailing during the period to translate the results of overseas Group subsidiary and associated undertakings into sterling and period end rates to translate the net assets of those undertakings. The currency which most influences these translations is the US dollar and the relevant exchange rates were:

	18 months to 31.12.95 £/US\$	12 months to 30.6.94 £/US\$
Average rates	1.58	1.50
Period end rates	1.55	1.54

5 Operating costs		12 months to 30.6.95	6 months to 31.12.95			18 months to 31.12.95	12 months to 30.6.94 (restated)
	Glaxo continuing business £m	Acquisitions £m	Merged business £m	Combined business £m	Integration £m	Total £m	£m
Cost of sales	1,037	115	654	1,806	558	2,364	1,004
Selling, general and administrative expenditure	1,986	227	1,368	3,581	400	3,981	1,988
Research and development expenditure	852	103	585	1,540	257	1,797	858
Other operating income	(12)	(7)	(15)	(34)	-	(34)	(11)
	3,863	438	2,592	6,893	1,215	8,108	3,839

Costs expected to be incurred in integrating the businesses of Glaxo and Wellcome are estimated at £1,215 million, comprising severances and other cash costs of £763 million and losses on disposal of fixed assets of £452 million. Costs of £384 million had been incurred by 31st December 1995 and provision for further costs of £831 million has been made at that date.

Operating costs include		18 months to 31.12.95 £m	12 months to 30.6.94 (restated) £m
Staff costs (Note 6)		2,565	1,305
Depreciation of tangible fixed assets		533	282
Hire of plant and machinery		41	25
Other operating lease rentals		54	25
Audit fees			
Audit of Glaxo Wellcome plc		0.3	0.3
Audit of subsidiary undertakings		2.9	1.9
Fees to auditors for other work			
Auditors' UK firm		2.1	1.0
Auditors' overseas firms		2.5	1.1

Additionally fees of £0.4 million were paid to the auditors' UK firm in the 18 months to 31st December 1995 in connection with acquisitions.

6 Staff costs		18 months to 31.12.95 £m	12 months to 30.6.94 (restated) £m
Wages and salaries		1,923	1,064
Social security costs		233	132
Pension and other post retirement costs		172	109
Severance costs arising from integration		188	-
Pension and other post retirement costs arising from integration		49	-
		2,565	1,305

Remuneration of Directors included within staff costs	Fees, salary, benefits and bonuses	9	8
	Pension and other post retirement costs	2	6
	Provision for awards under Long Term Incentive Plan	1	-
		12	14

Further analysis of Directors' remuneration is given in the Report of the Remuneration Committee on pages 74 to 79.

		Number	Number
The average number of persons employed by the Group (including Directors) during the period	Manufacturing	18,700	17,688
	Research and development	8,847	7,476
	Selling, general and administrative	24,872	22,025
		52,419	47,189

The acquisition of Wellcome plc in March 1995 added approximately 16,000 to staff numbers.

The numbers of Group employees as at the date of the acquisition and at period end dates are given in the Financial Record on page 81.

6 Staff costs

Pension and other post retirement costs

Group undertakings operate pension schemes which cover the Group's material obligations to provide pensions to retired employees. These schemes have been developed in accordance with local practices in the countries concerned. The principal schemes are of the defined benefit type whereby retirement benefits are based on employee pensionable remuneration and length of service. The Group also operates a number of defined contribution schemes whereby retirement benefits are determined by the value of funds arising from contributions paid in respect of each employee. In the majority of cases the contributions to defined benefit schemes are determined in accordance with the advice of independent, professionally qualified actuaries. The assets of funded schemes are generally held in separately administered trusts or are insured. In certain cases, overseas Group undertakings hold assets with the specific purpose of matching the liabilities of unfunded schemes, both in terms of maturity and value.

		18 months to 31.12.95	12 months to 30.6.94 (restated)
		£m	£m
The cost of contributions to and provision for the various pension arrangements	UK funded defined benefit schemes	47	49
	UK unfunded defined benefit schemes	3	5
	UK funded defined contribution schemes	10	3
	Overseas funded defined benefit schemes	51	26
	Overseas unfunded defined benefit schemes	26	8
	Overseas defined contribution schemes	21	13
	Unfunded post retirement schemes	14	5
		172	109
Pension and other post retirement costs arising from integration		49	-

The funds of the UK defined benefit schemes are administered by trustee companies or individual trustees and are kept separate from those of the Group. Independent actuaries prepare valuations of the schemes 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 rules. The latest actuarial valuations for funding purposes were carried out as at 31st March 1995 in respect of the Glaxo Group Pension Scheme and the Glaxo Executive Pension Scheme and as at 5th April 1994 in respect of the Wellcome Group Pension Fund. Following the results of the valuations of the Glaxo Schemes as at 31st March 1995, company contributions to these schemes in respect of ordinary benefit accruals have been suspended. Company contributions to the Wellcome Group Pension Fund (other than those payable in respect of shift pay) are also currently suspended. Pension costs for accounting purposes have been derived using the projected unit method and by spreading the surpluses in the schemes over the average expected remaining future lives of their respective memberships. The pension cost calculations made for the period since the acquisition of the Wellcome Group have been carried out on the basis of an assumed investment return of 8.5 per cent per annum, increases in pensions of 4 per cent per annum, increases in salaries of 6 per cent per annum (plus an allowance for promotion) and UK equity dividend growth of 4 per cent per annum. By reference to these assumptions, the actuarial value of the total of all three schemes' assets as at 31st March 1995 represented 135 per cent of the actuarial value of all benefits accrued to members as at that date after allowing for future salary and pension increases. The total market value at that date was £1,892 million.

Certain UK pension benefits are provided on an unfunded basis, some of which are under a scheme administered by a trustee company. The charge against profits in respect of these benefits is the aggregate of the increase over the year in the assessed liabilities for members still in service and the net movement in provisions set up in respect of pensions in payment. The liabilities are assessed annually in accordance with the advice of independent actuaries.

The largest overseas schemes are funded defined benefit schemes operated by the Group's principal subsidiary undertaking in the USA. Certain pension benefits are also provided through unfunded schemes.

Several Group undertakings, in countries where it is local employment practice, mainly in North America, provide healthcare benefits to retired employees. The cost of providing these healthcare benefits is recognised on an accruals basis over the working life of the eligible employees. Amounts payable under these schemes are deductible at the taxation rate applicable in the countries in which payments are made.

7 Profit on disposal of business		Glaxo India Limited sold its foods division on 30th September 1994. The profit on disposal was £35 million; the taxation and minority interest attributable to the disposal were £7 million and £14 million respectively; the Group share of the profit was £14 million.	
8 Share of profits/(losses) of associated undertakings		18 months to 31.12.95 £m	12 months to 30.6.94 £m
	Warner Wellcome	74	-
	Glaxo Warner-Lambert	(17)	(3)
		57	(3)
9 Net (interest payable)/investment income		18 months to 31.12.95 £m	12 months to 30.6.94 £m
Interest payable	On bank loans and overdrafts and other loans:		
	Repayable within five years, not by instalments	304	37
	Repayable within five years, by instalments	5	4
	Repayable wholly or partly in more than five years	28	3
		337	44
Investment income	Interest income	265	180
	Realised losses	(95)	(35)
	Provision for market value adjustments	80	(80)
		250	65
		(87)	21
Included above are interest income of £30 million (12 months to 30th June 1994 - £54 million) and realised losses of £15 million (12 months to 30th June 1994 - losses of £12 million) relating to listed current asset investments. The analysis of net interest payable for the 18 months to 31st December 1995 between continuing business, acquisitions and merged business is shown on the face of the consolidated profit and loss account.			
10 Taxation		18 months to 31.12.95 £m	12 months to 30.6.94 (restated) £m
Taxation charge based on profits for the period	UK corporation tax at 33 per cent	1,026	321
	Less double taxation relief	605	52
		421	269
	Overseas taxation	660	311
	Deferred taxation	(251)	(56)
	Irrecoverable Advance Corporation Tax	37	-
		867	524
Attributable to	Holding company and subsidiary undertakings	864	524
	Associated undertakings	3	-

10 Taxation		18 months to 31.12.95	12 months to 30.6.94 (restated)
		£m	£m
Reconciliation of the taxation charge	Profit on ordinary activities before taxation at the UK statutory rate of 33 per cent	788	606
	Deferred taxation not provided on fixed assets	(48)	(58)
	Effect of special taxation status in Singapore	(112)	(46)
	Net cost of different rates of taxation in overseas undertakings	34	32
	Taxation effect of disallowed integration costs	134	-
	Advance Corporation Tax written off	37	-
	Other differences	34	(10)
	Taxation charge in the accounts	867	524

Included in the taxation charge is a credit of £230 million in respect of integration.

Profits arising from manufacturing operations in Singapore are taxed at a reduced rate until 30th June 2002.

11 Earnings per Ordinary Share		18 months to 31.12.95	12 months to 30.6.94 (restated)
	Earnings per Ordinary Share	44.5p	42.7p
	Adjustment in respect of integration	30.1p	-
	Earnings per Ordinary Share before integration	74.6p	42.7p
	Weighted average number of shares in issue (millions)	3,274	3,040

The earnings per Ordinary Share of 44.5p has been calculated by dividing the profit attributable to shareholders of £1,458 million (12 months to 30th June 1994 restated - £1,299 million) by the weighted average number of Ordinary Shares in issue during the period.

Earnings per Ordinary Share is also shown calculated by reference to earnings before integration costs and related taxation in order to provide an indication of continuing business performance.

The earnings per Ordinary Share is not materially different in either financial period when calculated on a fully diluted basis.

Earnings per Ordinary Share as shown on the face of the consolidated profit and loss account for the Glaxo continuing business for the 12 months to 30th June 1995 has been calculated by dividing the profit attributable to shareholders for that period of £1,462 million by 3,056 million, the weighted average number of shares in issue during that period excluding Ordinary Shares issued on the acquisition of Wellcome plc.

12 Dividends		18 months to 31.12.95	12 months to 30.6.94
		£m	£m
First Interim	10.0p per Ordinary Share paid 10th April 1995 - (1994 - 9.0p)	306	274
Second Interim	20.0p per Ordinary Share paid 23rd October 1995 - (1994 - nil)	698	-
Final - proposed	15.0p per Ordinary Share (payable 20th May 1996) (1994 - 18.0p)	526	549
		1,530	823

13 Tangible fixed assets

	Land and buildings £m	Plant and machinery £m	Fixtures and equipment £m	Assets in con- struction £m	Total £m
Cost at 1st July 1994	1,526	1,362	881	645	4,414
Exchange adjustments	16	28	8	6	58
Additions	29	95	158	352	634
Acquisition of subsidiary undertakings	428	288	102	118	936
Disposals	(36)	(44)	(100)	(12)	(192)
Reclassifications	353	328	43	(724)	-
Cost at 31st December 1995	2,316	2,057	1,092	385	5,850
Depreciation at 1st July 1994	254	550	426	-	1,230
Exchange adjustments	-	7	7	-	14
Provision for the period	112	220	201	-	533
Disposals	(7)	(26)	(59)	-	(92)
Depreciation at 31st December 1995	359	751	575	-	1,685
Net book value at 1st July 1994	1,272	812	455	645	3,184
Net book value at 31st December 1995	1,957	1,306	517	385	4,165

The net book value at 31st December 1995 of the Group's land and buildings comprises freehold properties £1,764 million (1st July 1994 - £1,075 million), properties with leases of 50 years or more £130 million (1st July 1994 - £160 million) and properties with leases of less than 50 years £63 million (1st July 1994 - £37 million).

14 Fixed asset investments

	Investments in OTC joint ventures £m	Investments in other associated undertakings £m	Investments in own shares £m	Other invest- ments £m	Total £m
At 1st July 1994	(3)	6	-	52	55
Exchange adjustments	4	1	-	-	5
Additions	15	17	2	1	35
Acquisition of subsidiary undertaking	632	3	1	47	683
Goodwill on acquisition taken to reserves	(618)	(10)	-	-	(628)
Disposals	-	-	-	(35)	(35)
Retained loss for the period	(13)	(2)	-	-	(15)
Transfer to subsidiary undertaking	-	(4)	-	-	(4)
At 31st December 1995	17	11	3	65	96

The investments in OTC joint ventures are the Group's interests in Warner Wellcome and Glaxo Warner-Lambert.

The principal associated undertakings at 31st December 1995 are shown on page 85.

The investments in own shares represents the cost of shares held in Employee Share Ownership Plans. The nominal value of these shares is £0.1 million.

Other investments comprise

	At 31.12.95 £m	At 30.6.94 £m
Investments listed on overseas stock exchanges	26	28
Unlisted investments	39	24
	65	52
Aggregate market value of listed investments	205	47

Included within investments listed on overseas stock exchanges is the Group's holding of 16.9 per cent of the Common Shares of BioChem Pharma Inc., a research company incorporated in Canada.

15 Stocks

	At 31.12.95 £m	At 30.6.94 £m
Raw materials and consumables	169	107
Work in progress	358	274
Finished goods	284	194
	811	575

16 Debtors

		At 31.12.95 £m	At 30.6.94 £m
Amounts due within one year	Trade debtors	1,444	908
	Other debtors	270	114
	Prepaid pension contributions	30	37
	Other prepayments and accrued income	81	83
Amounts due after one year	Other debtors	126	61
	Advance Corporation Tax recoverable	94	107
		2,045	1,310

Debtors include £24 million (at 30th June 1994 - £5 million) due from associated undertakings.

17 Other creditors

		At 31.12.95 £m	At 30.6.94 £m
Amounts due within one year	Trade creditors	293	188
	Taxation	667	382
	Social security	22	15
	Other creditors	350	222
	Accruals and deferred income	604	374
	Dividend proposed	526	549
		2,462	1,730
Amounts due after one year	Taxation	11	7
	Other creditors	60	19
		71	26

18 Net (debt)/funds

As the Group is now in a net debt position, net liquid funds at 30th June 1994 have been restated to include all debt.

		At 31.12.95	At 30.6.94 (restated)
		£m	£m
Current asset investments		1,041	2,708
Cash at bank		233	55
		1,274	2,763
Loans and overdrafts due within one year	Bank loans and overdrafts	(437)	(322)
	Commercial paper	(2,566)	(75)
	Other loans	(1)	(3)
		(3,004)	(400)
Loans due after one year	Bank loans	(105)	(122)
	8¾ per cent Unsecured sterling Euro Bond 2005	(496)	-
	6.75 per cent Unsecured US\$ Euro Note 2000	(321)	-
	6¾ per cent Unsecured loan stock 1985/95	-	(2)
	7¾ per cent Unsecured loan stock 1985/95	-	(2)
	Other loans	(421)	(17)
		(1,343)	(143)
Convertible bonds	4.3 per cent Japanese Yen Convertible Bonds	(123)	(129)
Net (debt)/funds		(3,196)	2,091
of which cash & cash equivalents were	Current asset investments	674	438
	Cash at bank	233	55
	Loans and overdrafts due within one year	(207)	(305)
		700	188

Current asset investments

	Market value At 31.12.95	Market value At 30.6.94	Book value At 31.12.95	Book value At 30.6.94
	£m	£m	£m	£m
Government and equivalent investments	271	1,323	270	1,325
Other investments	511	1,320	511	1,318
Deposits at banks	260	65	260	65
	1,042	2,708	1,041	2,708

At the balance sheet date the Group's investments included financial instruments of £134 million (at 30th June 1994 - £438 million) listed on the London Stock Exchange and £52 million (at 30th June 1994 - £619 million) listed on overseas stock exchanges. The aggregate market value of listed investments was £186 million (at 30th June 1994 - £1,057 million).

Interest rate swaps

At 31st December 1995 the Group had outstanding interest rate swap agreements having a total notional principal amount of £823 million (at 30th June 1994 - £nil), £500 million relating to a five year swap exchanging sterling floating interest rates for fixed at 8.61 per cent, and US\$500 million (£323 million) relating to a ten year swap exchanging US dollar floating interest rates for fixed at 6.475 per cent. The US dollar swap was cancelled with effect from 25th January 1996 at which time a US\$500 million 6.125 per cent Unsecured Euro Note 2006 was issued.

Loans and overdrafts due within one year

Commercial paper comprises US dollar programmes of £2,090 million issued in New York backed up by committed facilities of more than one year of £2,511 million and a sterling programme with a US dollar option of £476 million issued in London.

18 Net (debt)/funds		At 31.12.95 £m	At 30.6.94 £m
Loans due after one year	Repayable between one and two years	8	28
	Repayable between two and five years	817	89
	Repayable in five years or more	518	26
		1,343	143

Included in other loans is a 5 year Japanese Yen 64.1 billion (£400 million) loan which has been swapped into floating rate sterling.

The debt analysed above is repayable over various periods between 1996 and 2009 and carries interest at rates between 3.9 per cent and 14.3 per cent per annum.

The 6¼ per cent and 7¼ per cent unsecured loan stocks of Glaxo Group Limited were repaid at par on 1st October 1995 and 1st November 1995 respectively.

Wholly or partly repayable after five years or more	By instalments after five years	20	26
	By instalments within five years	18	17
	Total due in instalments	38	43
	Not by instalments	498	-

Secured loans Loans amounting to £156 million (at 30th June 1994 – £96 million) are secured by charges on fixed and current assets

Convertible bonds The Japanese Yen Convertible Bonds are convertible, at the option of the holders, into a maximum of 12,829,839 Ordinary Shares at a price of £6.49 on or before 22nd September 1998. No bonds were converted into Ordinary Shares during the 18 months to 31st December 1995. The bonds mature on 28th September 1998.

19 Provisions for liabilities and charges

	Integration costs £m	Pensions and other post retirement benefits £m	Deferred taxation £m	Other provisions £m	Total £m
At 1st July 1994 as previously stated	-	90	139	64	293
Prior period adjustment	-	26	(9)	-	17
At 1st July 1994 restated	-	116	130	64	310
Exchange adjustments	-	3	(3)	2	2
Acquisition of subsidiary undertakings	-	92	187	75	354
Charge/(credit) for the period	1,215 (384)	138 (34)	(251) (33)	67 (67)	1,169 (518)
At 31st December 1995	831	315	30	141	1,317

The provision for integration costs at 31st December 1995 represents the costs expected to be incurred in integrating the businesses of Glaxo and Wellcome.

Deferred taxation	Full potential At 31.12.95 £m	At 30.6.94 £m	Provided At 31.12.95 £m	At 30.6.94 (restated) £m
Accelerated capital allowances	520	419	62	26
Unremitted foreign investment income	18	161	18	108
Stock valuation adjustment	17	16	17	16
Intra group profit	(130)	(128)	(10)	(31)
Advance Corporation Tax recoverable	(150)	(107)	-	-
Pensions and other post retirement benefits	(70)	(24)	(70)	(24)
Integration costs	(130)	-	(130)	-
Revaluation surplus	214	-	214	-
Other timing differences	(136)	(1)	(71)	35
	153	336	30	130

20 Contingent liabilities

Unquantified claims have been made against Group undertakings relating to anti trust, product liability and intellectual property rights. In the opinion of the Directors the amounts provided in these Accounts against such claims are adequate.

Although the taxation liabilities of certain UK and overseas subsidiary undertakings have not been finally agreed with the appropriate revenue authorities for a number of years, the Directors consider that the amounts provided in these Accounts are adequate to meet any further liabilities which may arise.

Save as shown in these Accounts, no provision has been made for taxation which would arise on the distribution of profits retained by overseas subsidiary and associated undertakings, on the grounds that the profits are retained for use in the business.

Other contingent liabilities at 31st December 1995 amounted to £13 million (at 30th June 1994 – £15 million).

21 Commitments

		At 31.12.95 £m	At 30.6.94 £m
Capital commitments	Contracted for but not provided in the Accounts	82	158
	Authorised by the Directors but not contracted for	283	199
Commitments under operating leases to pay rentals for the next year	Operating leases on land and buildings which expire:		
	In one year or less	5	1
	Between one and five years	19	9
	In five years or more	13	12
		37	22
	Operating leases on plant and equipment which expire:		
	In one year or less	7	5
	Between one and five years	17	22
		24	27

22 Share capital, share premium account and merger reserve

		Ordinary Shares of 25p each		Share premium account £m	Merger reserve £m
		Number	£m		
Share capital authorised	At 1st July 1994	4,000,000,000	1,000		
	Increase (6th March 1995)	431,000,000	108		
	At 31st December 1995	4,431,000,000	1,108		
Share capital issued and fully paid	At 1st July 1994	3,049,397,289	762	229	–
	On acquisition of Wellcome plc	426,199,262	107	–	2,834
	Under share option schemes	21,724,593	5	101	–
	In lieu of cash dividends	7,072,469	2	43	–
	Goodwill applied	–	–	–	(2,834)
	At 31st December 1995	3,504,393,613	876	373	–

Ordinary Shares issued on the acquisition of Wellcome plc were issued for an aggregate consideration of £2,941 million based on a share price of £6.90 per Ordinary Share. The resulting premium of £2,834 million was credited to a merger reserve. £2,834 million of the goodwill arising on the acquisition of Wellcome plc was applied against this merger reserve.

Ordinary Shares issued during the 18 months ended 31st December 1995 resulting from the exercise of options under the Glaxo Group and Wellcome Share Option Schemes were issued for an aggregate consideration of £106 million.

On 21st November 1994, 3,045,382 Ordinary Shares were issued fully paid at a price of £5.68 to shareholders who elected to take shares in lieu of cash in respect of the final dividend for the year ended 30th June 1994. On 10th April 1995, 1,904,053 Ordinary Shares were issued fully paid at a price of £6.41 to shareholders who took shares in lieu of cash in respect of the first interim dividend for the 18 months ended 31st December 1995. On 23rd October 1995, 2,123,034 Ordinary Shares were issued fully paid at a price of £7.446 to shareholders who took shares in lieu of cash in respect of the second interim dividend for the 18 months ended 31st December 1995.

22 Share capital,
share premium account
and merger reserve

Number of shares issuable under
outstanding options under Glaxo Group
and Wellcome Share Option Schemes

	Share Option Schemes	Savings Related Share Option Scheme
At 1st July 1994	74,622,281	15,857,887
Options granted	66,900,592	8,022,671
Options granted on conversion of Wellcome options	9,773,457	3,457,142
Options exercised	19,797,698	1,926,895
Options cancelled	3,445,156	2,227,869
At 31st December 1995	128,053,476	23,182,936

There were outstanding at 31st December 1995 options granted to Directors and employees within the Group under the Glaxo Group and Wellcome Share Option Schemes to subscribe for 128,053,476 Ordinary Shares at prices between £2.46 and £8.33. The weighted average subscription price is £6.92. These options are normally capable of being exercised over varying periods up to 19th September 2005.

There were also outstanding at 31st December 1995 options granted to Directors and employees within the Group under the Glaxo Group and Wellcome Savings Related Share Option Schemes to subscribe for 23,182,936 Ordinary Shares at prices between £0.80 and £6.14. The weighted average subscription price is £4.99. These options are normally capable of being exercised over varying periods up to 13th December 2001.

23 Goodwill reserve,
other reserves

	Goodwill reserve £m	Other reserves £m
At 1st July 1994 as previously stated	-	4,052
Prior period adjustment	-	(17)
At 1st July 1994 restated	-	4,035
Exchange adjustments relating to net assets of subsidiary and associated undertakings:		
Tangible fixed assets	-	49
Stocks	-	26
Net debt	-	8
Other assets and liabilities	-	34
Exchange adjustments relating to borrowings designated as hedges of overseas net assets	-	(26)
Exchange adjustments relating to retained profits of subsidiary and associated undertakings	-	(15)
Retained loss for the period	-	(72)
Goodwill arising on acquisitions during the period (Note 24)	(8,031)	-
Goodwill applied against merger reserve	2,834	-
At 31st December 1995	(5,197)	4,039

£2,834 million of the goodwill arising on the acquisition of Wellcome plc has been applied against the merger reserve created on the acquisition of Wellcome plc. The balance of goodwill of £5,197 million has been established as a goodwill reserve.

Goodwill written off against other reserves in prior years amounts cumulatively to £82 million (1994 - £82 million).

Of the other reserves of £4,039 million at 31st December 1995 (at 30th June 1994 - £4,035 million restated), £272 million (at 30th June 1994 - £233 million restated) relates to the Company, £3,780 million (at 30th June 1994 - £3,805 million restated) relates to subsidiary undertakings and £13 million negative (at 30th June 1994 - £3 million negative) relates to associated undertakings.

The profit for the 18 months dealt with in the Accounts of Glaxo Wellcome plc amounts to £1,569 million (12 months to 30th June 1994 - £740 million restated).

24 Acquisitions

Wellcome plc

On 23rd January 1995 the Company announced an offer (the "Offer") to acquire all of the issued share capital of Wellcome plc. On 16th March 1995 the Company declared the Offer unconditional in all respects, valid acceptances having been received representing 86.1 per cent of the outstanding share capital of Wellcome plc. Following the receipt of further acceptances, on 21st June 1995 the Company acquired compulsorily, pursuant to the Companies Act 1985, non-assenting Wellcome plc shares, thereby achieving 100 per cent ownership of Wellcome plc. Additionally the Company bought out share options held by Wellcome employees at a price equivalent to the offer price. From 16th March 1995 Wellcome plc has been treated as a subsidiary undertaking.

The cost of acquisition was £9,333 million, comprising purchase consideration of £9,261 million and acquisition expenses of £72 million (including stamp duty of £48 million). The purchase consideration was satisfied by the issue of 426.2 million Ordinary Shares at £6.90 each and net cash paid of £6,320 million.

The assets and liabilities of Wellcome plc on the date of acquisition, and the adjustments to fair values, are set out below.

	Book values at 16.3.95		Fair value adjustments	Fair values at 16.3.95
		Revaluations	Accounting policy	Other
	£m	£m	£m	£m
^a Intangible fixed assets	39	-	(39)	-
^b Tangible fixed assets	1,043	(114)	(14)	-
^c Investment in OTC joint venture	14	618	-	-
^d Other fixed asset investments	34	17	-	-
^d Stock	240	(2)	(3)	-
^d Debtors	457	17	-	(5)
^e Businesses/assets for disposal	-	245	-	-
^f Creditors	(612)	(101)	-	27
^g Provisions	(149)	(205)	-	-
^h Net funds	807	(7)	-	-
Net assets	1,873	468	(56)	22
Purchase consideration				9,333
Goodwill arising on acquisition of Wellcome plc				7,026
Goodwill taken to reserves in respect of the difference between the fair value of the investment in the OTC joint venture and its tangible net assets				618

Fair value adjustments:

- ^b Revaluation of land and buildings assets to market value and provision for contamination costs.
- ^c Revaluation of investment in OTC joint venture to fair value.
- ^d Sundry adjustments to fair values.
- ^e Recognition of actual disposal proceeds of Hazeline in place of net assets and provisional cash disposal value of 311C.90.
- ^f Recognition of provision for taxation liabilities on proceeds of disposals and provision for further anticipated taxation liabilities.
- ^g Recognition of provision for liabilities; deferred taxation on revaluation of investment in OTC joint venture to fair value; deferred taxation relief on pensions and other post retirement benefits.
- ^h Revaluation of long term debt to fair value.
- ^a Write off of intangible fixed assets being payments made to acquire licences or products which had not yet received patent approval.
- ^b Write off of capitalised software costs.
- ^d Sundry adjustments to fair values.
- Adjustment from 16-Op to 13-5p per Ordinary Share on Wellcome dividend paid 12th May 1995 and associated ACT as a result of the acquisition of Wellcome plc by the Company.

Disposals since acquisition:

The Hazeline business was sold in December 1995 and the proceeds of £95 million received; the costs associated with the disposal were £2 million. A memorandum of understanding was signed in February 1996 for the disposal of 311C.90. The value attributed to 311C.90 of £150 million is reflected in the consolidated balance sheet as an asset for disposal.

Revaluations

Accounting policy

Other

24 Acquisitions

Wellcome financial information		Unaudited 1.1.95 to 15.3.95 £m	Audited 16 months to 31.12.94 £m			
Summarised profit and loss account	Turnover	335	2,662			
	Trading profit	60	861			
	Exceptional item	(27)	(58)			
	Share of profits of Warner Wellcome	12	50			
	Net investment income	9	28			
	Profit on ordinary activities before taxation	54	881			
	Taxation	30	340			
	Profit on ordinary activities after taxation	24	541			
	Minority interests	2	14			
	Profit attributable to shareholders	22	527			
The exceptional item in the period from 1st January 1995 to 15th March 1995 represents the defence costs incurred by Wellcome plc following Glaxo's Offer to Wellcome plc shareholders; the costs were incurred and paid by Wellcome plc prior to Glaxo's Offer being declared unconditional. The exceptional item in the period to 31st December 1994 represents reorganisation costs.						
Statement of total recognised gains and losses	Profit for the period	22	527			
	Exchange adjustments	(39)	(40)			
	Total recognised gains and losses for the period	(17)	487			
Affymax N.V.	On 26th January 1995 the Group announced an offer to acquire all of the issued share capital of Affymax N.V. On 2nd March 1995 the Group declared the offer unconditional in all respects, valid acceptances having been received representing 98.8 per cent of the outstanding share capital of Affymax N.V. The cost of the acquisition was £347 million, comprising cash purchase consideration of £343 million and acquisition expenses of £4 million. Steps are currently being taken by the Group to buy up outstanding shares in Affymax N.V. A fair value adjustment of £27 million has been made to the book values on the date of acquisition to accrue for obligations to pay for cancellation of share options held by employees.					
Acquisition of remaining shares in Glaxo Korea Limited	On 2nd March 1995 the Group purchased an additional 50 per cent equity interest in Glaxo Korea Limited which resulted in it obtaining a controlling interest of 100 per cent. From that date, Glaxo Korea Limited has been treated as a subsidiary undertaking. Previously Glaxo Korea Limited was accounted for as an associated undertaking.					
Acquisition of remaining shares in Cascan GmbH & Co. KG	On 8th September 1995 the Group purchased an additional 50 per cent equity interest in Cascan GmbH & Co. KG to bring its interest to 100 per cent. Previously Cascan GmbH & Co. KG had been consolidated as a subsidiary undertaking in accordance with section 258 (2)(b) of the Companies Act 1985 and a minority interest of 50 per cent had been accounted for.					
Acquisition of 37½ per cent interest in Medikredit	During the period the Group purchased a 37½ per cent equity interest in Medikredit, a pharmaceutical benefit management group in South Africa.					
Goodwill arising on acquisitions in the 18 months to 31st December 1995	Book values £m	Fair value adjustments £m	Net assets acquired £m	Cost of acquisition £m	Goodwill £m	
	Wellcome plc	1,873	434	2,307	9,333	7,026
	Affymax N.V.	75	(27)	48	347	299
	Glaxo Korea Limited	3	-	3	18	15
	Cascan GmbH & Co. KG	4	-	4	67	63
	Medikredit	2	-	2	12	10
	1,957	407	2,364	9,777	7,413	
	Wellcome plc - Goodwill on investment in OTC joint venture					618
						8,031

25 Consolidated cash flow statement

		18 months to 31.12.95	12 months to 30.6.94 (restated)
		£m	£m
Reconciliation of trading profit to net cash inflow from operating activities	Trading profit excluding integration costs	3,597	1,817
	Depreciation	533	282
	Loss/(profit) on sale of tangible fixed assets	8	(4)
	Decrease in stocks	8	5
	(Increase)/decrease in debtors	(291)	8
	Increase in creditors	163	39
	Increase/(decrease) in pension and other provisions	74	(2)
	Other movements	12	-
	Net cash inflow from operating activities excluding integration costs	4,104	2,145
	Integration costs paid	(269)	-
	Net cash inflow from operating activities	3,835	2,145
Financing	Balance at the beginning of the period	1,358	1,279
	Net cash inflow from financing	3,841	39
	Ordinary Shares issued in lieu of cash dividends	45	31
	Ordinary Shares issued on acquisition of Wellcome plc	2,941	-
	Goodwill applied against merger reserve	(2,834)	-
	Net non cash equivalents of subsidiary undertakings acquired	129	1
	Exchange adjustments	18	8
	Other movements	14	-
	Balance at the end of the period	5,512	1,358
Financing comprises called up share capital, share premium account, Eurobonds, loan stocks, convertible bonds, other loans, commercial paper and bank loans and overdrafts repayable in three months or more from the date of the advance of £335 million (12 months to 30th June 1994 - £139 million).			
Cash & cash equivalents	Balance at the beginning of the period	188	441
	Increase/(decrease) in cash & cash equivalents	507	(271)
	Exchange adjustments	5	18
	Balance at the end of the period	700	188
Reconciliation between the increase/ (decrease) in cash & cash equivalents and the increase in net (debt)/funds	Increase/(decrease) in cash & cash equivalents	507	(271)
	Non cash equivalent movements in net (debt)/funds:		
	Net (sale)/purchase of non cash equivalent current asset investments	(2,070)	808
	Net advance of long term loans	(1,134)	-
	Net advance of short term loans (1994 - repayment)	(2,601)	12
	Net non cash equivalents of subsidiary undertakings acquired	54	(1)
	Exchange adjustments	4	(124)
	Other non cash movements	(47)	(21)
		(5,794)	674
	Increase in net (debt)/funds	(5,287)	403

25 Consolidated cash flow statement

Purchase of subsidiary undertakings		18 months to 31.12.95 £m
Wellcome plc		
Total purchase consideration in Ordinary Shares and cash		9,333
Non cash element of consideration:		
Tax relief on US share options		42
Shares issued		(2,941)
Cash consideration paid		6,434
Cash & cash equivalents acquired		(730)
Net cash payment on acquisition		5,704
Dividend paid to Wellcome plc shareholders		119
		5,823
Wellcome plc, which was acquired on 16th March 1995, contributed £187 million to the Group's net operating cash flows before integration costs, paid £20 million of integration costs, received £25 million in respect of net returns on investments and servicing of finance, paid £151 million in respect of taxation and received £38 million from investing activities in the period to 30th June 1995. Since that date it is not feasible to report separately the cash flows of the acquired business.		
Affymax N.V.		
Total purchase consideration		347
Cash & cash equivalents acquired		(66)
Net cash payment on acquisition		281
Glaxo Korea Limited		
Total purchase consideration		18
Cash & cash equivalents acquired		(2)
Net cash payment on acquisition		16
Cascan GmbH & Co. KG		
Net cash payment on acquisition		67
Total		
Payments on acquisitions		6,187
Disposal of businesses		
Glaxo India Limited (foods division)		
Consideration received		42
Cash & cash equivalents disposed		(3)
		39
Hazeline		
Net consideration received		93
Total		
Proceeds from disposal of businesses		132
Major non cash transactions		
Part of the consideration for the acquisition of Wellcome plc comprised Ordinary Shares. Further details of the acquisition are provided above and in Note 24.		

26 Segment information

The Group continues to operate in a single business segment.

An analysis of turnover, profit before taxation and net assets by geographical segment is set out below. The Group's activities are organised on a worldwide basis. The segmental figures are therefore influenced by the location of the Group's operating resources and by variations over time in intra group trading and funding arrangements.

Comparative figures for 1994 have been restated for the change in accounting policy described in Note 3 and to reflect the current presentation of net assets.

		18 months to 31.12.95	12 months to 30.6.94 (restated)
		£m	£m
Turnover by location of customer	USA	4,408	2,459
	Europe	3,618	1,978
	Rest of the World	2,464	1,219
	External turnover	10,490	5,656
Turnover by location of subsidiary undertaking	USA	4,329	2,475
	Europe	5,333	3,027
	Rest of the World	3,210	1,630
	Gross turnover	12,872	7,132
	Inter segment turnover:		
	USA	(29)	(20)
	Europe	(1,562)	(984)
	Rest of the World	(791)	(472)
	External turnover	10,490	5,656
Profit before taxation by location of subsidiary undertaking	USA	1,447	723
	Europe	1,217	586
	Rest of the World	933	508
	Trading profit before integration costs	3,597	1,817
	Integration costs	(1,215)	-
	Profit on disposal of business	35	-
	Share of profits/(losses) of associated undertakings	57	(3)
	Net (interest payable)/investment income	(87)	21
	Profit before taxation	2,387	1,835
		At 31.12.95	At 30.6.94 (restated)
		£m	£m
Net assets	USA	516	524
	Europe	2,463	1,663
	Rest of the World	1,094	871
	Net operating assets	4,073	3,058
	Provisions for integration costs (net of taxation)	(656)	-
	Net (debt)/funds	(3,196)	2,091
	Net assets	221	5,149

27 Company balance sheet

		At 31.12.95	At 30.6.94 (restated)
		£m	£m
Tangible fixed assets	Short term leasehold		
	Cost	7	7
	Depreciation (provision – £1 million)	(2)	(1)
	Net book value	5	6
	Fixtures and equipment		
	Cost (additions – £7 million; disposals – £18 million)	28	39
	Depreciation (provision – £5 million; disposals – £4 million)	(15)	(14)
	Net book value	13	25
	Assets in construction		
	Cost (additions – £3 million)	3	–
	Depreciation	–	–
	Net book value	3	–
	Total		
	Cost	38	46
	Depreciation	(17)	(15)
	Net book value	21	31
Debtors	Amounts owed by Group undertakings	80	451
	Dividends proposed by Group undertakings	450	750
	Other debtors	7	4
	Prepaid pension contributions	1	4
	Other prepayments and accrued income	12	6
	Amounts due within one year	550	1,215
	Advance Corporation Tax recoverable	94	107
	Deferred taxation	13	9
		657	1,331
Other creditors: amounts due within one year	Taxation	7	106
	Other creditors	39	4
	Accruals and deferred income	20	7
	Dividend proposed	526	549
		592	666
Provision for liabilities and charges	Pensions and similar obligations (applied – £2 million; charge – £4 million)	13	11
	Other provisions (applied – £13 million; charge – £5 million)	14	22
		27	33
Contingent liabilities	Borrowings guaranteed of subsidiary and associated undertakings	–	3
	Other	6	3
Capital commitments	Contracted for but not provided in the Accounts	–	1
	Authorised by the Directors but not contracted for	3	4

Reconciliation to US Accounting Principles

The following is a summary of the material adjustments to profit and shareholders' funds which would be required if US Generally Accepted Accounting Principles (GAAP) had been applied instead of UK GAAP.

Profit	18 months to 31.12.95 £m	18 months to 31.12.95 US\$m	12 months to 30.6.94 (restated) £m	12 months to 30.6.94 (restated) US\$m
Profit attributable to shareholders under UK GAAP	1,458	2,304	1,299	1,949
US GAAP adjustments				
Purchased research and development expenditure	(400)	(632)	-	-
Amortisation of goodwill	(398)	(629)	(3)	(5)
Amortisation of intangible assets	(371)	(586)	-	-
Integration	745	1,177	-	-
Purchased stock	(64)	(101)	-	-
Post retirement benefits other than pensions	-	-	(21)	(31)
Deferred taxation	58	91	(29)	(44)
Other	15	24	9	14
Net income under US GAAP	1,043	1,648	1,255	1,883
	pence	US\$	pence	US\$
Income per Ordinary Share of 25p under US GAAP	31.9	0.50	41.3	0.62

Equity shareholders' funds	At 31.12.95 £m	At 31.12.95 US\$m	At 30.6.94 (restated) £m	At 30.6.94 (restated) US\$m
Equity shareholders' funds under UK GAAP	91	141	5,026	7,740
US GAAP adjustments:				
Goodwill	4,877	7,559	20	31
Intangible assets	2,084	3,230	-	-
Unrealised gains on fixed asset investments:				
Prior year effect on adoption of FAS 115	20	31	-	-
Current period	196	304	-	-
Purchased stock	21	33	-	-
Business for disposal	618	958	-	-
Ordinary dividends	526	815	549	845
Deferred taxation	(273)	(423)	(316)	(486)
Other	8	12	15	23
Shareholders' equity under US GAAP	8,168	12,660	5,294	8,153

The exchange rates used for translation into US dollars are set out in Note 4 on the Accounts.

Summary of material differences between UK and US GAAP

Business combinations

Under both UK and US GAAP the acquisitions during the period of Wellcome plc, Affymax N.V. and Glaxo Korea Limited are accounted for as acquisitions/purchases.

Purchase accounting

Both UK and US GAAP require the consideration to be allocated to the net assets acquired at their fair value at the date of acquisition, with the difference between the consideration and the fair value of the net assets acquired treated as goodwill. In the allocation of consideration, the differences between UK and US GAAP are as follows:

Intangible assets. UK GAAP requires an allocation of purchase consideration to intangible assets which are separable from the business. Under UK GAAP no intangible assets have been recognised because the intangible assets are considered not to be separable from the business. US GAAP requires an allocation of consideration to identifiable intangible assets whether separable or not.

Integration. Under UK GAAP costs to be incurred in integrating and restructuring the Glaxo and Wellcome businesses into a single business are charged to the profit and loss account post acquisition. Under US GAAP certain of such costs are considered in the allocation of purchase consideration.

Stocks. Under UK GAAP stocks are recognised at replacement cost. Under US GAAP stocks are recognised at selling price less a margin for selling.

Goodwill

Under UK GAAP, goodwill arising on consolidation has been set against shareholders' funds. Under US GAAP, goodwill arising on consolidation is amortised over its expected useful life and charged against income. For the purpose of determining the differences between UK GAAP and US GAAP, the expected useful life of goodwill has been taken to be ten years.

Intangible fixed assets

Intangible fixed assets recognised under US GAAP purchase accounting requirements are depreciated over their estimated revenue earning life, which is taken to be patent life plus five years. The carrying value of intangible assets is reviewed annually for any permanent impairment in value, using projected earnings and the cash flow method.

Fixed asset investments

Under UK GAAP, fixed asset investments are stated at cost less provision for permanent diminution in value. Under US GAAP, fixed asset investments classified as available for sale are stated at market value and the unrealised gains/losses are accounted for in shareholders' equity.

Research and development expenditure

Research and development expenditure recognised under US GAAP purchase accounting requirements is written off directly to net income.

Deferred taxation

Under UK GAAP, deferred taxation is only accounted for to the extent that it is probable that taxation liabilities or benefits will crystallise. Under US GAAP deferred taxation is accounted for on all timing differences and a valuation adjustment is established in respect of those deferred taxation assets where it is more likely than not that some portion will not be realised.

Post retirement benefits other than pensions

In accordance with UK GAAP, the Company adopted the accruals method of recognising the cost of post retirement benefits other than pensions from 1st July 1994 and the previously unrecognised obligation has been accounted for as a prior period adjustment through reserves. Under US GAAP, in accordance with Financial Accounting Standard 106, which was adopted by the Company in its US GAAP disclosures from 1st July 1993, the transition was effected by a charge against net income.

Ordinary dividends

Under UK GAAP, ordinary dividends proposed are provided for in the year in respect of which they are recommended by the Board of Directors for approval by the shareholders. Under US GAAP, such dividends are not provided for until declared by the Board of Directors.

Other

There are also differences between UK GAAP and US GAAP in relation to pensions, share options, other debt and equity investments and capitalised interest. None of these differences is individually material and they are therefore shown as a combined total.

Summary Financial Statements in US Format

Consolidated income statement	18 months to 31.12.95	18 months to 31.12.95	12 months to 30.6.94 (restated)	12 months to 30.6.94 (restated)
	£m	US\$m	£m	US\$m
Sales	10,490	16,574	5,656	8,484
Operating costs including integration	8,108	12,810	3,839	5,758
Trading income	2,382	3,764	1,817	2,726
Profit on disposal of business	35	55	-	-
	2,417	3,819	1,817	2,726
Equity in earnings/(losses) of associated undertakings	57	90	(3)	(5)
Net (interest expense)/investment income	(87)	(137)	21	32
Income before taxes and minority interests	2,387	3,772	1,835	2,753
Taxes on income	867	1,370	524	786
Income before minority interests	1,520	2,402	1,311	1,967
Minority interests	62	98	12	18
Net income	1,458	2,304	1,299	1,949
	pence	US\$	pence	US\$
Net income per Ordinary Share/Earnings per ADR	44.5	1.41	42.7	1.28
Dividends per Ordinary Share/Dividends per ADR	45.0	1.42	27.0	0.81

The exchange rates used for translation into US dollars are set out in Note 4 on the Accounts.

Consolidated balance sheet	At 31.12.95	At 31.12.95	At 30.6.94 (restated)	At 30.6.94 (restated)
	£m	US\$m	£m	US\$m
Cash at bank	233	361	55	85
Investments	1,041	1,614	2,708	4,170
Inventories	811	1,257	575	886
Trade receivables, prepaid expenses and other current assets	2,045	3,170	1,310	2,017
Asset for disposal	150	232	-	-
Total current assets	4,280	6,634	4,648	7,158
Other investments	96	149	55	85
Property, plant and equipment	4,165	6,456	3,184	4,903
Total assets	8,541	13,239	7,887	12,146
Short term borrowings	3,004	4,656	400	616
Payables and accrued expenses	1,269	1,967	799	1,231
Income taxes payable	667	1,034	382	588
Dividends proposed	526	815	549	845
Total current liabilities	5,466	8,472	2,130	3,280
Income taxes payable	11	17	7	11
Deferred taxes	30	47	130	200
Long term borrowings	1,466	2,272	272	419
Provision for integration costs	831	1,288	-	-
Other long term liabilities	516	800	199	307
Total liabilities	8,320	12,896	2,738	4,217
Minority interests	130	202	123	189
Ordinary Shares	876	1,358	762	1,173
Share premium in excess of par value	373	578	229	353
Goodwill reserve	(5,197)	(8,055)	-	-
Retained earnings	4,039	6,260	4,035	6,214
Total shareholders' equity	91	141	5,026	7,740
Total liabilities and shareholders' equity	8,541	13,239	7,887	12,146

The exchange rates used for translation into US dollars are set out in Note 4 on the Accounts.

Supplementary Financial Information

In view of the change in financial year end from 30th June to 31st December and the effect of the acquisition of Wellcome plc, the financial information set out below and on the opposite page has been prepared to indicate the results of Glaxo Wellcome on a calendar year basis, so as to provide comparative data for the 1996 financial year.

The information is presented on statutory and pro forma bases.

Statutory basis

The results of Glaxo Wellcome for calendar years 1995 and 1994. In 1995 Wellcome is consolidated from its date of acquisition on 16th March 1995. The 1994 results represent Glaxo alone.

Pro forma basis

The combined pro forma results of Glaxo and Wellcome for calendar year 1995 on a consistent basis of presentation as if Glaxo Wellcome had existed as a combined entity from 1st January 1995.

	Statutory basis		Pro forma basis		
	12 months to 31.12.95 £m	12 months to 31.12.94 £m	6 months to 30.6.95 £m	6 months to 31.12.95 £m	12 months to 31.12.95 £m
Turnover	7,638	5,705	3,955	4,018	7,973
Cost of sales	1,313	1,003	725	654	1,379
Selling, general and administrative expenditure	2,643	1,954	1,417	1,368	2,785
Research and development expenditure	1,130	851	615	585	1,200
Other operating income	(29)	(10)	(17)	(15)	(32)
Operating costs	5,057	3,798	2,740	2,592	5,332
Trading profit	2,581	1,907	1,215	1,426	2,641
Profit on disposal of business	—	35	—	—	—
Share of profits/(losses) of associated undertakings	60	(5)	33	39	72
Profit before interest	2,641	1,937	1,248	1,465	2,713
Net interest payable	(136)	(3)	(98)	(121)	(219)
Profit on ordinary activities before taxation	2,505	1,934	1,150	1,344	2,494
Taxation	768	569	315	417	732
Profit on ordinary activities after taxation	1,737	1,365	835	927	1,762
Minority interests	35	34	19	18	37
Profit attributable to shareholders	1,702	1,331	816	909	1,725
Earnings per Ordinary Share	50.3p	43.6p	23.4p	26.0p	49.4p
Weighted average number of Ordinary Shares in issue (millions)	3,386	3,049	3,490	3,497	3,494

Pro forma basis

Adjustments have been made to the Wellcome results:

- to reflect Glaxo accounting policies;
- to incorporate at 1st January 1995 the fair value adjustments implemented as of 16th March 1995.

The Wellcome exceptional item of £27 million in respect of bid defence costs in the six months to 30th June 1995 has been excluded. The costs of financing the acquisition have been reflected from 1st January 1995. The costs of integrating the Glaxo and Wellcome businesses have been excluded.

Pro forma sales

The combined sales of Glaxo and Wellcome for calendar year 1995 on a consistent basis of presentation as if Glaxo Wellcome had existed as a combined entity from 1st January 1995.

Therapeutic area	Major products	Pro forma sales 6 months to 30.6.95			Pro forma sales 6 months to 31.12.95			Pro forma sales 12 months to 31.12.95		
		£m	% of total	% CER growth	£m	% of total	% CER growth	£m	% of total	% CER growth
Gastro-intestinal	total	1,173	30	(3)	1,082	27	(6)	2,255	28	(4)
	Zantac	1,173		(3)	1,082		(6)	2,255		(4)
Respiratory	total	791	20	29	812	20	12	1,603	20	20
	Ventolin	263		10	263		(3)	526		3
	Becotide	196		7	201		-	397		4
	Serevent	125		92	146		37	271		58
	Beconase	92		16	64		(20)	156		(2)
	Flixonase	58		+100	61		+100	119		+100
	Flixotide	36		+100	52		+100	88		+100
Viral infections	total	522	13	(1)	577	14	1	1,099	14	-
	Zovirax	415		2	441		(5)	856		(1)
	Retrovir	96		(12)	105		7	201		(3)
	Valtrex	1		+100	8		+100	9		+100
Bacterial infections	total	501	13	4	462	11	(4)	963	12	-
	Zinnat	211		25	182		(5)	393		9
	Fortum	157		(6)	149		(1)	306		(4)
	Zinacef	66		-	59		-	125		-
CNS disorders	total	207	5	23	294	7	37	501	6	31
	Imigran	142		12	224		43	366		29
	Lamictal	30		+100	35		+100	65		+100
Oncology	total	220	6	6	231	6	5	451	6	5
	Zofran	191		(1)	195		(3)	386		(2)
Dermatologicals	total	105	3	15	100	3	(3)	205	3	5
Cardiovascular	total	88	2	2	99	3	(1)	187	2	-
Anaesthesia	total	55	1	(15)	62	2	(12)	117	2	(14)
Others	total	293	7	(2)	299	7	(7)	592	7	(4)
	Zyloric	56		1	59		(2)	115		-
	Imuran	48		10	57		(5)	105		2
		3,955	100	5	4,018	100	2	7,973	100	3

Region	Major markets									
USA	total	1,618	41	6	1,691	42	-	3,309	42	3
Europe	total	1,376	35	1	1,363	34	-	2,739	34	-
	UK	302	8	-	326	8	3	628	8	2
	France	231	6	10	219	6	(1)	450	6	5
	Germany	187	5	3	159	4	(17)	346	4	(7)
	Italy	165	4	(23)	168	4	-	333	4	(13)
	Eastern Europe	41	1	(6)	38	1	10	79	1	8
Rest of the World	total	961	24	10	964	24	7	1,925	24	8
	Japan	357	9	20	344	9	11	701	9	15
	Asia Pacific	204	5	3	205	5	5	409	5	4
	Latin America	128	3	3	138	3	-	266	4	2
	Africa/Middle East	100	3	17	97	3	13	197	2	15
		3,955	100	5	4,018	100	2	7,973	100	3

Constant exchange rate (CER) growth represents growth over the combined sales of Glaxo and Wellcome for the year to 31st December 1994 excluding currency movements, calculated as if the exchange rates used to translate the results of overseas companies into sterling had remained unchanged from those used in 1994.

Report of the Remuneration Committee

Remuneration policy	Glaxo Wellcome plc is a global company with a remuneration policy for Executive Directors designed to ensure that it attracts and retains the management skills necessary for the Company to remain a leader in the world pharmaceutical industry. The policy seeks to provide rewards and incentives for the remuneration of Executive Directors which reflect the performance and align with the objectives of the Company. A director's total remuneration should seek to recognise his worth in the external market.
Chairman	The Chairman receives emoluments of £200,000 per annum and has the use of a car provided by the Company. He has a one year contract.
Non-Executive Directors	Non-Executive Directors, other than the Chairman, receive fees for their services to the Board and other emoluments for services to Board Committees. Several Non-Executive Directors have in the past also received other emoluments for services to the Boards of certain subsidiary undertakings and to the Boards of the UK Pension Funds' Corporate Trustees but such payments have now been discontinued. Non-Executive Directors are appointed for three years, renewable for a further three years by mutual agreement, but do not have service contracts.
Executive Directors	The total remuneration of Executive Directors is now made up of three elements, namely base salary, an annual bonus reflecting individual performance against defined targets and a longer term incentive related to total shareholder return, i.e. share price growth plus the cash value of dividends. Additionally Executive Directors are entitled to other benefits and emoluments as described below. Until April 1995 Executive Directors participated in Group share option schemes for staff, but as from that date ceased to be entitled to awards under these schemes. Each of the elements of remuneration is further described below. In the case of overseas based Executive Directors, the nature of their remuneration arrangements has regard to local practice. The notice of termination which the Company must give to Executive Directors under their service contracts was reduced during 1995 to two years. The Committee believes that any further reduction in notice periods is inappropriate at present given the international nature of the market in which the Company operates. A number of Executive Directors have served on the Boards of the UK Pension Funds' Corporate Trustees. Fees received for such service are included as other emoluments. Since October 1994, fees for such service have been waived by Executive Directors.
Salary	Each Executive Director receives a salary which reflects his responsibilities and relevant market worth. Salary is reviewed annually.
Benefits and other emoluments	Executive Directors are entitled to a range of benefits and allowances offered to senior staff. Such benefits typically include the provision of a car or car allowance, petrol, medical insurance and financial advice. In addition, Dr J E Nidel was provided with residential accommodation in London to facilitate his relocation to the United Kingdom. This arrangement has now been terminated. Benefits are valued for the purposes of remuneration at the cash cost to the Company or at the amount assessed to income tax on the Director.
Post retirement benefits	Executive Directors participate in pension schemes, established by Group companies to provide pensions to staff in retirement. The pension schemes are mostly non-contributory. Pensions are normally equivalent to two thirds of final salary. In the case of UK Executive Directors, pension entitlement is based on salary excluding bonus and other forms of remuneration except for Mr J M T Cochrane, who under the terms of his membership of the Wellcome Group Pension Fund has up to 20 per cent of his annual bonus included in the calculation of pensionable salary. In the case of Mr R A Ingram, in accordance with normal US practice, pension entitlement is based on salary plus annual bonus. In the case of funded schemes, the Company (or the employing subsidiary) pays contributions to formally constituted pension schemes, independent of the Company. In the case of unfunded schemes, the Company (or employing subsidiary) makes provision within its own accounts. The contributions to funded schemes and the provisions made in respect of unfunded schemes are based on external actuarial advice. Contributions to funded schemes are disclosed when paid. Payments from the unfunded schemes are disclosed when paid as pensions to former Directors. Executive Directors are also entitled to the post retirement benefit of medical insurance.
Share options	Prior to the introduction of the new annual bonus and long term incentive plans, Executive Directors participated in the Glaxo Group or Wellcome Share Option Schemes. Options granted under the schemes, granted at the market price ruling at the date of grant, are exercisable after three years and up to a maximum of ten years from date of grant.
Incentive plans	• <i>Performance Unit Plan</i> – Performance bonus payments were made under the Performance Unit Plan (PUP) to participating Directors in November 1994. Non participating Directors received an annual performance bonus under related schemes.

The PUP, which was a long term incentive scheme, was terminated in 1995 as the Committee decided the scheme no longer reflected best practice. The PUP rewarded Directors for achieving increases above a minimum level in shareholder earnings measured over rolling four year periods; the amounts payable were increased or decreased if the earnings per Ordinary Share growth was greater or less than a group of comparator pharmaceutical companies. Payments were made in cash to Directors in respect of each four year cycle in the financial year following the end of a cycle and were disclosed as remuneration when paid. On retirement, Directors continued to participate in the plan, pro rata to their period of employment; where service terminated for other reasons, such continued participation was at the discretion of the Remuneration Committee, pro rata to the Director's period of executive responsibility. The Committee believes that the two replacement schemes described below, which were introduced in the course of 1995, are more closely aligned with the interests of shareholders by encouraging Directors to take rewards in the form of long term shareholdings rather than in cash.

Settlement of all outstanding obligations to former and current Directors for the uncompleted cycles relating to 1995, 1996 and 1997 were negotiated during the year; Sir Richard Sykes and Messrs J D Coombe, S P Lance and J A W Strachan waived rights to any payments due under the 1997 cycle in consideration of awards under the Long Term Incentive Plan which are disclosed under "Long Term Incentive Plan". All other payments made in settlement of PUP obligations are disclosed as "PUP Termination Payments" under "Fees, salary, benefits and bonuses".

- *Discretionary Bonus* – In addition, discretionary bonuses were paid to Messrs J M T Cochrane and R A Ingram and Dr Nidel.
- *Annual Incentive Plan* – This plan was introduced at the beginning of 1996. It pays annual bonuses in the form of cash and Ordinary Shares and encourages alignment with shareholders' interests by offering participants an incentive to invest all or part of the cash element of their bonus in additional Ordinary Shares.

At the beginning of each financial year, the participant is notified of the maximum bonus (up to 60 per cent of his base salary) that he may earn over the coming financial year and of performance targets against which the actual bonus due to him will be measured. The performance targets are individually defined for each participant by reference to corporate and personal objectives. The principal measures of corporate performance are growth in profit before tax and growth in sales and trading profit at an operating level. No payments at all will be made unless there has been an increase in Group pre tax profit over the prior year. At the end of the financial year the level of bonus is quantified for each participant with two thirds of the bonus being payable in cash. The remaining one third is payable as an award of a fixed number of Ordinary Shares in the Company which may be released to the participant only after a further period of three years. It is the Company's policy to encourage Executive Directors to establish long term investments in the Ordinary Shares of the Company; to that end, participants are invited to invest all or part of the cash element of their bonuses in purchasing additional Ordinary Shares, called deposited shares, also to be retained for three years. In return, the participant is granted a further entitlement to a matching number of Ordinary Shares (the matching award) corresponding to the number of deposited shares. A participant may withdraw his deposited shares at any time but, if and to such extent as the participant does so within three years, the corresponding matching award lapses.

- *Long Term Incentive Plan* – This plan was introduced from the beginning of 1995 and is designed to encourage participants to focus their attention on the longer term growth in shareholder value by providing them with a deferred performance related award in Ordinary Shares. Following the announcement of the Group's results for a year, the participant is notified of his award under the plan. An award is the right to acquire, at no cost, a maximum fixed number of Ordinary Shares in the Company with a market value equal to 100 per cent of the participant's base salary. Each award is subject to a performance target, the attainment of which will determine whether, and to what extent, the award may be exercised. The performance target compares the Company's total shareholder return (share price growth plus dividends) over the three years following the grant of the award with that of the top 50 companies in the FTSE 100 Index.

The extent to which the participant's award vests at the end of three years is calculated according to the ranking of the Company measured by total shareholder return among the top 50 companies in the FTSE 100 Index.

Company's ranking	10th or above	Award vesting	100%
	15th or above		80%
	20th or above		60%
	25th or above		40%
	Below 25th		Nil

Upon exercising an award, the participant must retain all of his Ordinary Shares for a period of 12 months unless, and to the extent to which, the Remuneration Committee agrees otherwise. A participant may, however, sell sufficient of his Ordinary Shares to meet the exceptional tax liability arising from the exercise of his award.

A participant who leaves the Glaxo Wellcome Group before the third anniversary of grant of either his Annual Incentive Plan award or his Long Term Incentive Plan award will forfeit his awards of Ordinary Shares unless the reason for leaving is death, injury, disability, redundancy or retirement at normal retirement age or for some other reason approved by the Remuneration Committee.

Fees, salary, benefits and bonuses

Remuneration payable to Directors during the 18 months to 31st December 1995

	Fees	Salary	Other emoluments and benefits	Performance ^a bonuses	PUP ^a termination payments	Payments following cessation of executive office	Total 18 months to 31.12.95	Total 12 months to 30.6.94	Annual salary at 1.1.96
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Executive Directors									
Sir Richard Sykes	-	1,125	41	212	770	-	2,148	931	800
Mr J M T Cochrane (from 1.7.1995)	-	150	8	50	-	-	208	-	300
Mr J D Coombe	-	510	31	104	350	-	995	427	350
Mr R A Ingram (from 17.5.1995)	-	252	53	579	-	-	884	-	420
Mr S P Lance	-	481	51	87	300	-	919	349	375
Dr J E Nield (from 1.7.1995)	-	180	48	54	-	-	282	-	360
Mr J A W Strachan	-	514	32	106	414	-	1,066	451	350
Dr F B Humer (until 1.12.1994)	-	375	15	170	-	-	560	696	-
Mr H Konishi (until 3.1.1995)	-	294	4	159	-	-	457	711	-
Mr N Maidment (until 30.6.1995)	-	230	15	73	-	-	318	302	-
Non-Executive Directors									
Sir Colin Corness (from 18.11.1994)	3	-	204	-	-	-	207	-	-
Mrs A A L Armstrong	33	-	10	-	-	-	43	31	-
Mr D C Bonham (from 1.7.1995)	11	-	3	-	-	-	14	-	-
Mr D J Derx	33	-	61	-	-	-	94	75	-
Lord Howe of Aberavon	33	-	36	-	-	-	69	49	-
Lord Kingsdown	33	-	10	-	-	-	43	21	-
Sir Richard Southwood	33	-	10	-	-	-	43	30	-
Sir Paul Girolami (until 18.11.1994)	-	-	82	477	-	-	559	1,489	-
Lord Cuckney (until 17.11.1995)	30	-	31	-	-	-	61	59	-
Mr J L Ferguson (until 17.11.1995)	30	-	12	-	-	-	42	39	-
Dr C A Sanders (until 17.5.1995)	22	-	292	206	-	-	520	813	-
Former Directors	-	-	-	-	-	-	-	1,194	-
Total 18 months to 31.12.1995	261	4,111	1,049	2,277	1,834	-	9,532	-	-
Total 12 months to 30.6.1994	156	4,608	1,035	1,868	-	-	-	7,667	-

Remuneration paid to former Directors, after cessation of their service as a Director, from provisions carried in the accounts.

Former Directors									
Dr M Fertoni	-	-	-	57	-	-	57	149	-
Sir Paul Girolami	-	-	-	-	1,044	-	1,044	-	-
Mr J M Hignett	-	-	-	159	303	-	462	-	-
Mr N Maidment	-	-	-	-	152	-	152	-	-
Dr E Mario	-	-	-	278	416	1,466	2,160	1,323	-
Mr A M Pappas	-	-	-	163	-	421	584	141	-
Dr C A Sanders	-	-	-	-	401	-	401	-	-
Others	-	-	-	-	-	-	-	5	-
Total 18 months to 31.12.1995	-	-	-	657	2,316	1,887	4,860	-	-
Total 12 months to 30.6.1994	-	-	5	569	-	1,044	-	1,618	-

Aggregate remuneration payable to serving and former Directors

Total 18 months to 31.12.1995	261	4,111	1,049	2,934	4,150	1,887	14,392	-	-
Total 12 months to 30.6.1994	156	4,608	1,040	2,437	-	1,044	-	9,285	-

^a These payments relate to several financial periods.

Pensions and other post retirement benefits		18 months to 31.12.95 £000	12 months to 30.6.94 £000
Pension and other post retirement benefit provision on behalf of Directors in respect of their service as a Director during the 18 months to 31st December 1995			
Directors in aggregate	Contributions to pension schemes	845	1,898
	Provision for unfunded pensions	987	4,205
	Provision for other post retirement benefits	20	18
		1,852	6,121
No pension contributions are payable by the Company in respect of UK based Directors for the period from 1st April 1995 to 31st December 1995 due to the strong funding position of the UK pension schemes as certified by the schemes' actuaries.			
Chairman			
Sir Colin Corness			
Sir Colin Corness is not entitled to any pension or other post retirement benefits			
Sir Paul Girolami			
Contributions to pension schemes		-	696
Provision for unfunded pensions		-	2,270
Sir Paul Girolami relinquished executive office on 30th June 1994, but remained Non-Executive Chairman. On relinquishing executive office he ceased to be entitled to earn further pension or post retirement benefit provision. He also became entitled to draw a pension from the Company's unfunded pension scheme in respect of pension benefit earned, and provided in the Accounts, during his executive service. Between 1st July 1994 and 18th November 1994, the date of his retirement, he was paid pensions of £11,018 and a lump sum payment of £1,402,724 in part commutation of future pension entitlements.			
Highest paid Director		18 months to 31.12.95 £000	12 months to 30.6.94 £000
Contributions to pension schemes		258	N/A
Provision for unfunded pensions		143	N/A
Provision for other post retirement benefits		2	N/A
Pensions paid to former Directors, after cessation of their service as a Director, from provisions carried in the accounts.			
Payments of unfunded pensions		769	513
Chairman and highest paid Director			
Sir Paul Girolami was Chairman from 1st July 1994 until his retirement on 18th November 1994 and was Chairman and highest paid Director during the year to 30th June 1994.			
Sir Colin Corness was appointed a Director on 18th November 1994 and Chairman on 18th January 1995; his total emoluments as Chairman were £203,903.			
Sir Richard Sykes, as Deputy Chairman, acted as Chairman of the Board during the period from 18th November 1994 to 18th January 1995. He was highest paid Director during the 18 months to 31st December 1995.			
Other information			
Sir Colin Corness, Sir Richard Sykes and Mr Coombe waived fees of £8,225, £10,370 and £572 respectively for services to the Boards of the UK Pension Funds' Corporate Trustees, in the 18 month period to 31st December 1995.			
The statutory analysis of Directors' remuneration into bands of £5,000 is not given because this information can be deduced from the total remuneration figures provided in respect of each Director.			
Directors' remuneration is given for the 18 months period covered by these Accounts. To indicate the annual level of current remuneration, the salary of Executive Directors at 1st January 1996 is disclosed.			
Mr Lance, proposed for re-election as a Director at the forthcoming Annual General Meeting, has a service contract with the Company which is determinable by notice to him of two years. Mrs Armstrong and Lord Kingsdown, also proposed for re-election, do not have service contracts with the Company. Mr McArthur, appointed a Director on 5th March 1996 and proposed for election, does not have a service contract with the Company.			

Long term incentive plan

	Shares awarded during period	Share price at award date	Vesting date	Performance against target
Sir Richard Sykes	107,033	£6.54	February 1998	100%
Mr J D Coombe	50,458	£6.54	February 1998	100%
Mr S P Lance	42,048	£6.54	February 1998	100%
Mr J A W Strachan	51,376	£6.54	February 1998	100%

The percentages given under "Performance against target" represent the percentage of the award that would vest if performance were measured against the target group as described on page 75 at 31st December 1995. This is not necessarily indicative of the award that will vest on the vesting date.

Share options

Interests of Directors who held office during the period in options to acquire Ordinary Shares in the Company

	1.7.94	Exercised			Granted			31.12.95		
	Number	Number	Weighted exercise price	Market price on exercise	Number	Weighted exercise price per option	Number	Weighted exercise price	Earliest date from which exercisable	Latest expiry date
Sir Richard Sykes	398,299	-	-	-	34,965	£5.72	433,264	£6.50	24.9.94	25.9.04
Mr J M T Cochrane	58,600 ^a	-	-	-	-	-	58,600	£6.31	1.4.95	31.3.02
Mr J D Coombe	171,247	23,838	£6.91	£8.83	20,979	£5.72	168,388	£6.97	25.2.95	25.9.04
Mr R A Ingram	176,898 ^a	-	-	-	-	-	176,898	£6.80	25.2.95	27.2.05
Mr S P Lance	218,763	134,860	£3.44	£6.70	83,679	£6.74	167,582	£6.66	24.9.94	16.3.05
Dr J E Nidel	198,223 ^a	-	-	-	-	-	198,223	£6.36	4.3.94	27.2.05
Mr J A W Strachan	183,934	-	-	-	11,188	£5.72	195,122	£6.98	22.9.95	25.9.04
Sir Paul Girolami	519,248	-	-	-	-	-	519,248 ^b	£7.30	25.2.95	18.11.95
Dr F B Humer	308,036	-	-	-	-	-	308,036 ^b	£6.49	16.10.90	31.3.95
Mr H Konishi	223,737	-	-	-	-	-	223,737 ^b	£7.01	25.2.95	25.9.04
Mr N Maidment	101,570	-	-	-	40,736	£5.72	142,306 ^b	£6.39	24.9.94	25.3.98
Dr C A Sanders	459,200	-	-	-	-	-	459,200 ^b	£4.05	10.10.92	30.6.96

^a On date of appointment.

^b On date of retirement.

The above details are a summary of the interests of Directors in share options. Full details are contained in the Register of Directors' Interests, which is open to inspection at the Company's registered office.

Interests of Directors who retired or resigned as Directors during the period are given at the date of their retirement. In certain cases options have been exercised or have lapsed since the date of retirement.

The market price of an Ordinary Share at 31st December 1995 was £9.15 (At 1st July 1994 £5.44). During the period the market price ranged from a high of £9.15 to a low of £5.44.

On 4th January 1996, Mr Strachan exercised 83,802 options; the weighted exercise price was £6.91 and the market price on exercise was £8.94. Save as disclosed there have been no other changes in the number of options between the end of the financial period and 11th March 1996, the date of these Accounts.

Directors' interests in Ordinary Shares

The Directors who held office on 31st December 1995 have notified the Company that they and their immediate families were beneficially interested in the Ordinary Shares of the Company at that date to the extent shown in the table below.

	31.12.95	1.7.94
Sir Colin Corness	11,140	10,000 ^a
Sir Richard Sykes	214,789	209,021 ^b
Mrs A A L Armstrong	4,000	4,000 ^c
Mr D C Bonham	3,000	- ^a
Mr J M T Cochrane	10,027	1,527 ^a
Mr J D Coombe	9,620	4,574
Mr D J Derx	35,420	35,448
Lord Howe of Aberavon	1,033	1,033
Mr R A Ingram	7,230	3,230 ^{ac}
Lord Kingsdown	1,600	1,600
Mr S P Lance	46,900	1,000
Dr J E Nidel	15,500	15,500 ^a
Sir Richard Southwood	925	860
Mr J A W Strachan	6,876	6,391

^a On date of appointment.

^b Also has a non-beneficial interest in a trust which holds 2,000 Ordinary Shares.

^c Held as ADRs.

On 4th January 1996, Mr Strachan acquired 18,810 Ordinary Shares of the Company.

On his appointment to the Board on 5th March 1996, Mr McArthur held no Ordinary Shares in the Company. Save as disclosed, there have been no changes in the interests in Ordinary Shares between the end of the financial period and 11th March 1996, the date of these Accounts.

Other arrangements

Save as disclosed, no arrangements to which the Company was a party subsisted at the end of the financial period, or at any time during the period, which would enable the Directors or their families to acquire benefits by means of the acquisition of Ordinary Shares in or debentures of the Company or any of its subsidiary undertakings.

No Director had a material interest in any contract of significance subsisting at the end of, or during, the financial period involving the Company's business.

A subsidiary undertaking of the Company has an interest of £75,000 in a property jointly owned with Mr Lance under an arrangement made prior to his appointment to the Board.

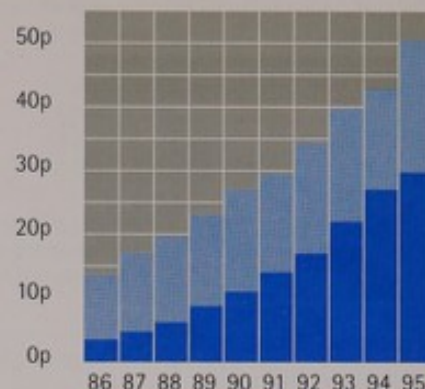
At the Company's Annual General Meeting on 17th November 1995 shareholders approved a special resolution which was required to give retrospective ratification of the interim dividend paid in May 1992. The resolution released the Company's Directors (both past and present) from claims that the Company may have had against the Directors in this connection. Having taken advice from independent advisors, the Directors confirm that the deed of release entered into was fair and reasonable.

Financial Record

The financial periods covered by the financial record on this page and on the opposite page are for the year to 30th June for the years up to and including 1994, and, following the change of financial year end date in 1995, for the 18 months to 31st December 1995. Wellcome plc was acquired on, and is consolidated from, 16th March 1995.

Share statistics

Earnings per Ordinary Share
Dividends per Ordinary Share



	12 months to 31.12.95 £m	18 months to 31.12.95 £m	1994 £m	1993 £m	1992 £m	1991 £m	1990 £m	1989 £m	1988 £m	1987 £m	1986 £m
Group profits and dividends											
Turnover	7,638	10,490	5,656	4,930	4,096	3,397	3,179	2,570	2,059	1,741	1,429
Research and development expenditure	1,130	1,540	858	739	595	475	420	323	230	149	113
per cent of turnover	15	15	15	15	15	14	13	13	11	9	8
Trading profit	2,581	3,597	1,817	1,525	1,287	1,088	1,040	876	777	709	517
per cent of turnover	34	34	32	31	31	32	33	34	38	41	36
Net (interest payable)/ investment income	(136)	(87)	21	150	140	179	142	130	68	51	95
Profit before taxation	2,505	3,602	1,835	1,675	1,427	1,267	1,182	1,006	845	760	612
Profit for the financial period	1,702	2,443	1,299	1,207	1,033	881	807	688	581	510	400
Dividends	1,224	1,530	823	667	512	420	329	260	185	141	104
Retained profit	478	913	476	540	521	461	478	428	396	369	296
	pence	pence	pence	pence	pence	pence	pence	pence	pence	pence	pence
Share statistics											
Earnings per Ordinary Share	50.3	74.6	42.7	39.9	34.3	29.4	27.0	23.1	19.6	17.2	13.5
Dividends per Ordinary Share	30.0	45.0	27.0	22.0	17.0	14.0	11.0	8.7	6.2	4.7	3.5
	%	%	%	%	%	%	%	%	%	%	%
Return on capital employed	45.4	44.5	37.4	40.4	41.2	41.6	46.2	48.9	51.7	59.3	63.2

The results for the 18 months and for the 12 months to 31st December 1995 are stated before integration costs, which reduced trading profit and profit before taxation by £1,215 million, profit for the financial period and retained profit by £985 million and earnings per Ordinary Share by 30.1p.

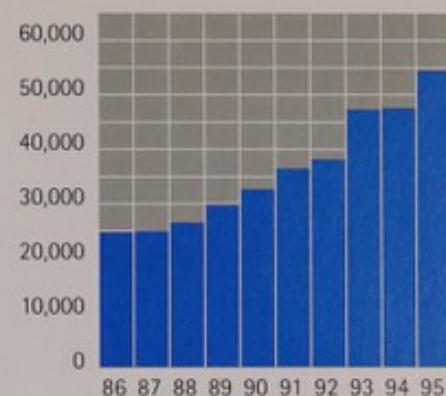
The dividend shown for the 12 months to 31st December 1995 is two thirds of the total dividend for the 18 months to 31st December 1995.

Return on capital employed is calculated as profit before taxation before integration costs as a percentage of average capital employed (excluding the goodwill reserve) during the period.

The figures above and on the opposite page comprise those originally published except that:

- the figures for 1990 have been restated to consolidate Nippon Glaxo Limited, Glaxo-Sankyo Co., Limited and Cascan GmbH & Co. KG as subsidiary undertakings;
- the figures for 1994 and 1990 have each been adjusted for the changes in accounting policy which occurred in the following year;
- dividends and earnings per Ordinary Share have been adjusted for any scrip issues, and for the sub division of share capital in 1991;
- trading profit, profit before taxation, earnings per Ordinary Share and return on capital employed for 1991, 1988 and 1987 have been adjusted to reflect the reclassification of extraordinary items as exceptional in accordance with FRS3;
- trading profit has been restated in 1994 to exclude share of losses in associated undertakings.

Number of employees



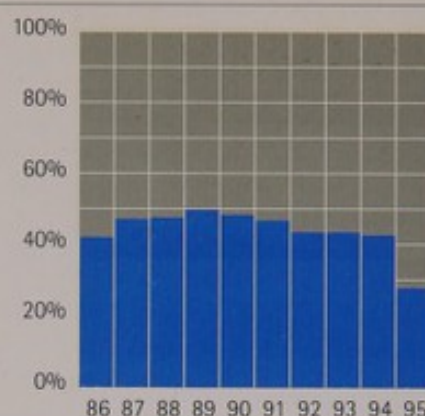
	Glaxo Wellcome 31.12.95	Glaxo Wellcome 31.3.95	Glaxo 31.3.95	1994	1993	1992	1991	1990	1989	1988	1987	1986
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Net assets												
Fixed assets	4,261			3,239	3,020	2,373	2,109	1,628	1,187	882	701	582
Other assets and liabilities	(844)			(181)	(51)	20	55	54	6	13	38	43
Net operating assets	3,417			3,058	2,969	2,393	2,164	1,682	1,193	895	739	625
Net (debt)/funds	(3,196)			2,091	1,688	1,246	1,118	1,123	1,120	908	725	475
	221			5,149	4,657	3,639	3,282	2,805	2,313	1,803	1,464	1,100
Capital employed												
Share capital, share premium and other reserves	5,288			5,026	4,546	3,572	3,208	2,732	2,291	1,784	1,450	1,090
Goodwill reserve	(5,197)			-	-	-	-	-	-	-	-	-
Minority interests	130			123	111	67	74	73	22	19	14	10
	221			5,149	4,657	3,639	3,282	2,805	2,313	1,803	1,464	1,100
	£m			£m	£m	£m	£m	£m	£m	£m	£m	£m
Capital expenditure												
United Kingdom	309			304	311	281	270	340	146	155	126	153
Overseas	325			239	339	285	351	297	227	120	67	48
	634			543	650	566	621	637	373	275	193	201
Number of employees												
United Kingdom	13,967	16,047	11,314	11,855	12,129	12,002	12,278	12,451	11,864	11,035	10,867	11,815
Overseas	40,392	45,417	33,820	35,523	34,975	26,030	23,953	20,132	17,875	15,388	14,087	12,913
	54,359	61,464	45,134	47,378	47,104	38,032	36,231	32,583	29,739	26,423	24,954	24,728
Manufacturing	19,122	20,805	15,800	17,726	17,882	12,873	13,247	13,280	12,533			
Research and development	9,047	11,000	7,307	7,322	7,455	6,815	6,428	5,362	4,721			
Selling	19,774	21,978	16,929	17,234	16,863	13,730	12,203	9,412	8,760			
Administration	6,416	7,681	5,098	5,096	4,904	4,614	4,353	4,529	3,725			
	54,359	61,464	45,134	47,378	47,104	38,032	36,231	32,583	29,739			

Net (debt)/funds is defined to include all debt.

The number of employees is the number at the end of the financial period, except in the years 1986 to 1988 where the number is the average number during the year. The numbers are for Glaxo alone up to and including 31st March 1995. The acquisition of Wellcome plc in March 1995 added 16,330 to employee numbers. The numbers from 31st March 1995 are for Glaxo Wellcome combined. The reduction in numbers after 31st March 1995 results from the integration of the Glaxo and Wellcome businesses.

The financial periods covered by the financial record on this page are for the year to 30th June for the years up to and including 1994 and for the six months to 31st December 1994. Following the acquisition of Wellcome plc and the change of financial year end date in 1995, the figures for 1995 are pro forma sales for the combined Glaxo and Wellcome businesses for the 12 months to 31st December 1995.

Gastro-intestinal (Zantac) share of turnover



Therapeutic analysis of turnover

	Pro forma 1995 £m	6 months to 31.12.94 £m	1994 £m	1993 £m	1992 £m	1991 £m	1990 £m	1989 £m	1988 £m	1987 £m	1986 £m
Gastro-intestinal	2,255	1,137	2,442	2,172	1,807	1,606	1,551	1,291	989	829	606
Respiratory	1,603	705	1,229	1,087	964	775	723	585	457	362	287
Viral infections	1,099	-	-	-	-	-	-	-	-	-	-
Bacterial infections	963	429	872	827	681	608	560	396	299	226	181
CNS disorders	501	154	243	116	43	2	-	-	-	-	-
Oncology	451	198	404	365	259	78	2	-	-	-	-
Dermatologicals	205	102	183	168	145	128	126	101	96	86	77
Cardiovascular	187	36	75	67	63	43	50	46	48	46	36
Anaesthesia	117	-	-	-	-	-	-	-	-	-	-
Others	592	91	208	128	134	157	167	151	170	192	242
Total	7,973	2,852	5,656	4,930	4,096	3,397	3,179	2,570	2,059	1,741	1,429

Geographical analysis of turnover

	Pro forma 1995 £m	6 months to 31.12.94 £m	1994 £m	1993 £m	1992 £m	1991 £m	1990 £m	1989 £m	1988 £m	1987 £m	1986 £m
USA	3,309	1,215	2,459	1,985	1,584	1,248	1,206	1,063	756	590	411
Europe	2,739	1,006	1,978	1,968	1,724	1,481	1,338	1,081	937	830	735
Rest of the World	1,925	631	1,219	977	788	668	635	426	366	321	283
Total	7,973	2,852	5,656	4,930	4,096	3,397	3,179	2,570	2,059	1,741	1,429

Turnover is analysed in accordance with current segmental reporting practice.

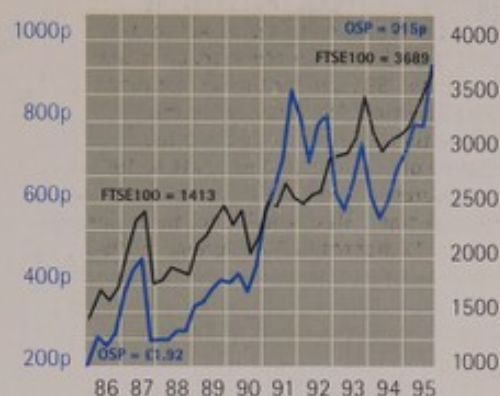
The above figures comprise those originally published except that:

- the figures for 1990 have been restated to consolidate Nippon Glaxo Limited, Glaxo-Sankyo Co., Limited and Cascan GmbH & Co. KG as subsidiary undertakings;
- the figures for 1990 have been adjusted for the change in accounting policy which occurred in the following year.

Share Capital

Glaxo Wellcome plc ten year share price performance

- Ordinary Share Price
(adjusted for any scrip issues
and for the sub division of
share capital in 1991)
- FTSE 100 Price Index



Analysis of shareholdings at 31st December 1995

		Number of accounts	% of total accounts	Ordinary Shares	% of total Ordinary Shares
Holding of Ordinary Shares	Up to 1,000	115,889	62.7	52,558,209	1.5
	1,001 to 5,000	50,141	27.1	107,468,281	3.0
	5,001 to 100,000	16,947	9.2	297,316,525	8.5
	100,001 to 1,000,000	1,424	0.8	437,057,297	12.5
	Over 1,000,000	392	0.2	2,609,993,301	74.5
	Totals	184,793	100	3,504,393,613	100
Held by	Nominee companies	49,587	26.9	2,293,951,251	65.4
	Investment and trust companies	5,004	2.7	68,944,769	2.0
	Insurance companies	435	0.2	254,463,979	7.3
	Individuals and other corporate bodies	129,766	70.2	531,522,567	15.2
	^a BNY (Nominees) Limited	1	—	355,511,047	10.1
	Totals	184,793	100	3,504,393,613	100

^a The Bank of New York's holding represents the Company's ADR programme whereby each ADR represents two Ordinary Shares of 25p nominal value. The number of registered holders of ADRs at 31st December 1995 was 81,481.

Principal Products

The products listed below, apart from *Navelbine* and *Panorex*, are trade marks of the Glaxo Wellcome Group of companies, as are the following names mentioned elsewhere in this Annual Report: *Flovent*, *Wellvone*, *Mepron*, *Exosurf*, *Flolan*, *Myodil*, *Malarone*, *Tritec*, *Ultiva* and *Diskus/Accuhaler*. *Navelbine* is the trade mark of Pierre Fabre Medicament and *Panorex* is the trade mark of Centocor Inc.

Therapeutic area	Trade mark	Compound	Mechanism	Indication (may vary by country)
Gastro-intestinal	Zantac	ranitidine hydrochloride	anti-secretory	duodenal ulcers, stomach ulcers, reflux and dyspepsia
	Pylorid	ranitidine bismuth citrate	anti-secretory plus antibiotic	eradication of <i>Helicobacter pylori</i>
Respiratory	Ventolin	salbutamol/albuterol	bronchodilator	bronchial asthma, bronchitis
	Becotide/Beclovent	beclomethasone dipropionate	inhaled corticosteroid	bronchial asthma, bronchitis
	Serevent	salmeterol xinafoate	bronchodilator	bronchial asthma, bronchitis
	Flixonase/Flonase	fluticasone propionate	corticosteroidal nasal spray	hay fever, perennial rhinitis
	Flixotide	fluticasone propionate	inhaled corticosteroid	asthma, bronchial conditions
Viral infections	Beconase	beclomethasone dipropionate	corticosteroidal nasal spray	hay fever, perennial rhinitis
	Zovirax	aciclovir	DNA polymerase inhibitor	herpes infections, shingles, chicken pox, cold sores
Bacterial infections	Valtrex/Zelitrex	valaciclovir	DNA polymerase inhibitor	shingles, genital herpes infections
	Retrovir/AZT	zidovudine	reverse transcriptase inhibitor	HIV/AIDS
	Epivir/3TC	lamivudine	reverse transcriptase inhibitor	HIV/AIDS
	Wellferon	interferon alfa-N1-1F	alpha-interferon	chronic hepatitis B infection, hairy cell leukaemia
CNS disorders	Zinnat/Ceftin	cefuroxime axetil	oral antibiotic	common infections
	Fortum/Fortaz	ceftazidime	injectable antibiotic	severe, life threatening infections
	Zinacef	cefuroxime	injectable antibiotic	surgical infections
Oncology	Imigran/Imitrex	sumatriptan	serotonin agonist	migraine, cluster headache
	Lamictal	lamotrigine	sodium channel modulator	epilepsy
	Wellbutrin	bupropion	aminoketone	depression
Dermatologicals	Zofran	ondansetron	anti-emetic	nausea, vomiting from chemotherapy, radiotherapy and post operative nausea and vomiting
	Navelbine	vinorelbine	vinca alkaloid	non-small cell lung cancer, breast cancer
	Panorex	Mab17-1A	monoclonal antibody	colorectal cancer as adjuvant therapy
Cardiovascular	Betnovate	betamethasone valerate	topical corticosteroid	eczema
	Cutivate	fluticasone propionate	topical corticosteroid	eczema, psoriasis
	Dermovate/Temovate	clobetasol propionate	topical corticosteroid	inflammatory skin diseases
Anaesthesia	Lanoxin	digoxin	cardiac rhythm controller	congestive heart failure, cardiac arrhythmia
	Lacipil	lacidipine	calcium channel blocker	hypertension
	Trandate	labetalol	alpha/beta blocker	hypertension
Others	Mivacron	mivacurium chloride	neuromuscular blocker	adjunct to anaesthesia
	Nimbex	cisatracurium besylate	neuromuscular blocker	adjunct to anaesthesia/intensive care
	Tracrium	atracurium besylate	neuromuscular blocker	adjunct to anaesthesia/intensive care
Others	Imuran	azathioprine	immunosuppressant	rejection of organs following transplants
	Zyloric	allopurinol	xanthine oxidase inhibitor	gout

Principal Subsidiary and Associated Undertakings

The following represent the principal subsidiary and associated undertakings of the Glaxo Wellcome Group at 31st December 1995, with details of the country of incorporation and principal country of operation, the location of the headquarters and activities.

The share capital of these undertakings, comprising Ordinary Shares, is wholly owned by the Group except where its interest is shown otherwise. Full details of all subsidiary and associated undertakings will be attached to the Company's Annual Return to be filed with the Registrar of Companies.

Analysis of Activity:
H Holding company
R Research
D Development
P Production
M Marketing
E Exporting

Region	Country	Location	Subsidiary undertaking	Activity	%
Europe	England	Greenford	Glaxo Group Limited	H	
		Greenford	Glaxo Wellcome Export Limited	E	
		Greenford	Glaxo Research and Development Limited	R D	
		Stockley Park	Glaxo Operations UK Limited	P	
		Stockley Park	Glaxo Wellcome UK Limited	M	
		Greenford	Wellcome plc	H	
		Greenford	The Wellcome Foundation Limited	R D P	
	France	Paris	Laboratoire Glaxo Wellcome S.A.S.	R P M	
	Germany	Hamburg	Glaxo Wellcome GmbH & Co	P M	
	Italy	Verona	Glaxo S.p.A.	R P M	
	Netherlands	Zeist	Glaxo Wellcome B.V.	M	
	Spain	Madrid	Glaxo Wellcome, S.A.	R P M	
	Switzerland	Berne	Glaxo Wellcome A.G.	M	
		Geneva	The Glaxo Institute for Molecular Biology S.A.	R	
	Turkey	Istanbul	Glaxo Wellcome I.S.A.S.	P M	
Americas	Argentina	Buenos Aires	Glaxo Wellcome S.A.	P M	
	Brazil	Rio de Janeiro	Glaxo Wellcome SA	P M	
	Canada	Mississauga	Glaxo Wellcome Inc.	R P M	
	Mexico	Mexico City	Glaxo de Mexico, S.A. de C.V.	P M	
	USA	North Carolina	Glaxo Wellcome Inc.	R P M	
		California	Affymax Research Institute	R	99
Rest of the World	Australia	Boronia	Glaxo Wellcome Australia Limited	P M	
	China	Chongqing	Chongqing Glaxo Wellcome Pharmaceuticals Limited	P M	88
				P M	89
	Egypt	Cairo	Glaxo Wellcome Egypt S.A.E.	M	
	Hong Kong	Hong Kong	Glaxo Wellcome Hong Kong Limited	P M	51
	India	Mumbai	Glaxo India Limited	P M	50 ^a
		Tokyo	Nippon Glaxo Limited	M	25 ^a
		Kobe	Nippon Wellcome K.K.	R M	55
	New Zealand	Auckland	Glaxo Wellcome New Zealand Limited	P M	
	Nigeria	Lagos	Glaxo Wellcome Nigeria Limited	P M	
	Singapore	Singapore	Glaxo Wellcome Singapore Pte Limited	M	
		Singapore	Glaxo Wellcome Manufacturing Pte Limited	P	
	South Africa	Midrand	Glaxo Wellcome South Africa (Pty.) Limited	P M	

^a Consolidated as subsidiary undertakings in accordance with section 258(4)(a) of the Companies Act 1985 on the grounds of influence over marketing strategy.

Region	Country	Location	Associated undertaking	Activity	%	Issued Ordinary Shares
Rest of the World	India	Mumbai	Burroughs Wellcome (India) Limited	P M	32	7,500,000 of R10
	Nigeria	Lagos	Evans Medical PLC	P M	40	98,784,000 of N 0.50

Shareholder Information

Ordinary Shares and Loan Stock history

Glaxo Group Limited

The market value of Glaxo Group Limited Ordinary Stock Units of 50p on 6th April 1965 was 156¼p. A 1 for 4 scrip issue in December 1967 was followed by a 1 for 12 rights issue at 250p in June 1968 and a 1 for 4 scrip issue in January 1970. Stock acquired by BDH Group Limited shareholders in 1968 had a market value of 146.425p.

Glaxo Wellcome plc

Glaxo Wellcome plc (formerly Glaxo plc and Glaxo Holdings p.l.c.) was incorporated on 23rd March 1972 to acquire all the Ordinary Stock Units of 50p each of Glaxo Group Limited, a publicly quoted company. Under a Scheme of Arrangement which became effective on 22nd May 1972, Glaxo Group Limited Ordinary stockholders received one Glaxo Holdings p.l.c. Ordinary Share of 50p and 60p of Glaxo Holdings p.l.c. 7½ per cent Convertible Unsecured Loan Stock 1985 (CULS) in exchange for each Glaxo Group Limited Ordinary Stock Unit of 50p. The CULS was converted into Ordinary Shares between 1975 and 1985.

Alterations to issued share capital

Since 1972 the following alterations have been made to the share capital of Glaxo Wellcome plc:

August 1975

Rights issue: 1 for 5 at 200p (16th June 1975)
(also 1 Ordinary Share of 50p for each £25 of CULS at 200p)

January 1980

Capitalisation issue: 1 for 1 (11th February 1980)

January 1983

Capitalisation issue: 1 for 1 (21st February 1983)

January 1986

Capitalisation issue: 1 for 1 (27th January 1986)

November 1989

Capitalisation issue: 1 for 1 (24th November 1989)

October 1991

Sub division of shares:
each Ordinary Share of 50p was sub divided into two Ordinary Shares of 25p each (30th October 1991)

The dates listed in brackets are those on which the share prices for the altered share capital were first quoted.

Capital gains tax

The prices for Glaxo Wellcome plc Ordinary Shares and for each £1 of CULS on the following dates were:

22nd May 1972

Ordinary Shares of 50p	515p
CULS	140p

16th June 1975

Ordinary Shares of 50p (nil paid)	172½p ex-rights
CULS	98¾p ex-rights

31st March 1982

Ordinary Shares of 50p	513p*
CULS	197p

* Equivalent to 32p for each of the present Ordinary Shares of 25p.

Holders of Ordinary Shares

Registrar

The Company's share register is administered by Lloyds Bank Registrars and all correspondence regarding Ordinary Shares should be sent to the address shown on the inside back cover.

Dividends

The record date for this period's proposed final dividend, payable on 20th May 1996, is 26th March 1996 and the Ordinary Shares will trade ex-dividend on the London Stock Exchange from 18th March 1996. Shareholders who wish their dividends to be paid directly to a bank or building society account should contact the Company's Registrar.

Scrip dividends

Shareholders may establish continuing mandates to receive Ordinary Shares instead of cash for the whole of their dividends. Details of the Scrip Dividend Scheme may be obtained from the Registrar. The timetable for the scheme for the proposed final dividend is shown on the inside back cover. The Scrip Dividend Scheme is not available to holders of Ordinary Shares in the USA or Canada or to holders who are US or Canadian persons, nor is it available to holders of American Depositary Receipts.

Multiple share certificates

Shareholders with more than one certificate for shares arising either from the Scrip Dividend Scheme or by any other means may arrange for them to be consolidated into one certificate by contacting the Registrar.

Glaxo Wellcome corporate PEPs

General and single company personal equity plans for the Company's Ordinary Shares are available from Bradford & Bingley (PEPs) Limited and enquiries should be sent to them at the address shown on the inside back cover.

Low cost share dealing facility

The low cost share dealing facility operated by Pershing Securities Limited on behalf of Hoare Govett Corporate Finance Limited now includes the Company's Ordinary Shares and enquiries should be sent to them at the address shown on the inside back cover.

Former shareholders in Wellcome plc

The Company's offer to acquire all the shares in Wellcome plc became unconditional on 16th March 1995 with the price of the Company's Ordinary Shares being £6.90 on the previous day. Former shareholders in Wellcome plc who have to date not accepted the terms of the offer, but who now wish to, should write to the Company's Registrar.

Share price information

The latest share price information is available on Ceefax, Teletext and the Cityline service operated by the Financial Times: telephone 0891-432701 (calls charged at 36p per minute cheap rate and 48p per minute at all other times).

CREST

CREST is a new settlement system for share trading due to become operational in late 1996. Further information on the system, provided by CRESTCo Limited, is enclosed with these Accounts for UK registered shareholders only.

Unsolicited mail

The law obliges the Company to make its share register available to other organisations and as a consequence some shareholders may have received unsolicited mail. If you wish to limit the amount of such mail, you should write to the Mailing Preference Service at FREEPOST 22, London W1E 7EZ or telephone 0171-738 1625 for a registration form.

Share donation scheme

The Company in conjunction with Wise Speke Limited has set in place a scheme whereby shareholders with a small number of Ordinary Shares, who do not wish to retain their shareholdings, can dispose of them so that the proceeds go to designated charities without incurring any dealing costs. Shareholders interested in this scheme should contact Wise Speke Limited at the address shown on the inside back cover. Wise Speke Limited is a member firm of The London Stock Exchange and is regulated by The Securities and Futures Authority Limited.

Holders of American Depositary Shares

General

The Company's Ordinary Shares are listed in the USA on the New York Stock Exchange (NYSE) in the form of American Depositary Shares (ADSs) and these are evidenced by American Depositary Receipts (ADRs). The shares are traded under the symbol GLX.

The Company's ADR programme is administered by The Bank of New York whose address is shown on the inside back cover and any enquiries regarding ADRs should be addressed to that office. Each ADS currently represents two Ordinary Shares of the Company.

Dividends

The recommended final dividend of 15p equals 30p per ADR. This amount will be paid in US dollars converted at the exchange rate on 20th May 1996. The total dividend for the financial period is 90p per ADR. The record date for this period's proposed final dividend to ADR holders is 26th March 1996 and payment will be made through The Bank of New York on 30th May 1996. Such ADRs will trade ex-dividend on the NYSE from 22nd March 1996.

The current income tax convention between the UK and the USA includes provisions which entitle a qualifying US resident ADR holder to a refund of the UK tax credit attaching to the dividend.

On payment of the dividend a 15 per cent withholding tax is deducted from the total of the dividend and the tax credit. This withholding tax will normally be eligible for credit against such ADR holder's US Federal Income Tax liability, provided Form 1116 "Computation of Foreign Tax Credit" is completed and filed with the ADR holder's US Federal Income Tax return. ADR holders who are unsure of their tax position should consult their independent tax advisor.

As a guide to holders of ADRs the following table shows the interim and final dividends for the last five years, translated into US dollars per ADS. These amounts have been adjusted for the UK tax credit, less the 15 per cent withholding tax, as detailed above.

Financial period	Interim cents	Second Interim cents	Final cents	Total cents
1995	34	67	52*	153
1994	29	—	60	89
1993	22	—	45	67
1992	24	—	38	62
1991	17	—	40	57

*Estimated figure based on an exchange rate of US\$1.63 per £1 on 6th March 1996.

Dividend Reinvestment Plan

The Scrip Dividend Scheme is not available to holders of Ordinary Shares in the USA or Canada or to holders who are US or Canadian persons, nor is it available to holders of ADRs. However, a Dividend Reinvestment Plan is available through The Bank of New York to all ADR holders having a registered address in the USA or Canada. The plan allows for full or partial reinvestment of dividends in additional ADSs and also permits monthly optional investments in additional ADSs. Full details of the plan can be obtained from The Bank of New York at the address shown on the inside back cover.

Annual General Meeting

The Company's 1996 Annual General Meeting of shareholders will be held in London on 16th May 1996. ADR holders may instruct The Bank of New York as to how the Ordinary Shares represented by their ADRs should be voted by completing and returning the voting card provided by The Bank of New York in accordance with the instructions given.

Holders of Ordinary Shares listed on the Tokyo Stock Exchange

General

The Company's Ordinary Shares are listed in Japan on the Tokyo Stock Exchange (TSE) and are traded in units of 100 Ordinary Shares on the Foreign Section of the TSE. Transactions are carried out under the Central Depository and Clearing System and original share certificates are kept by the Japan Securities Clearing Corporation (JSCC) through their depository in London.

Dividends

The record date for this period's proposed final dividend is 26th March 1995. Payment of the dividend to Japanese investors, in respect of Ordinary Shares held in deposit by the JSCC, will be made in Yen during June 1996. The Scrip Dividend Scheme is available to Japanese investors who hold shares through the TSE. However, the number of Ordinary Shares receivable must be a multiple of the minimum trading unit of 100 Ordinary Shares. To receive dividends in the form of Ordinary Shares, shareholders should notify the securities company which holds their account of such intention.

Under the current tax convention between Japan and the UK, dividends paid by a company resident in the UK to a resident of Japan will entitle the recipient to a payment by the UK tax authorities of a tax credit, equivalent to the tax credit to which a UK resident individual would be entitled on the dividend, less a withholding tax of 15 per cent of the dividend plus the tax credit.

Further information about the Company's Ordinary Shares listed in Japan can be obtained from The Toyo Trust & Banking Co., Limited, whose address is shown on the inside back cover.

Other Information

Publications

In addition to the Annual and Interim Reports, the Company produces publications which are available to shareholders on request. These include Glaxo Wellcome World, the corporate magazine; Glaxo Wellcome in the Community; a statement of the Group's health, safety and environment policy and Key Facts. Copies may be obtained from the Group Secretariat at the registered office shown on the inside back cover.

USA

An annual report (Form 20-F) will be filed with the Securities and Exchange Commission in the USA on or before 31st March 1996.

Japan

An annual securities report (Form No. 8) will be filed with the Minister of Finance of Japan on or before 31st May 1996.

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ibc = inside back cover.

This document is important and requires your urgent attention. If you are in any doubt as to the action you should take, you are recommended to seek advice from your own independent financial adviser, authorised pursuant to the Financial Services Act 1986. If you have sold all of your Ordinary Shares in Glaxo Wellcome plc, please hand this document and the enclosed form of proxy to the stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

11th March 1996

Dear Shareholder,

Annual General Meeting

A Notice of Meeting for this year's Annual General Meeting which will be held at 2.00 p.m. on Thursday 16th May 1996 at The London Hilton on Park Lane, 22 Park Lane, London W1 is attached. If you will not be attending, you may wish to complete and return the enclosed form of proxy which should reach the Company's registrar no later than 2.00 p.m. on 14th May 1996.

Following the acquisition of Wellcome plc the Board announced that the 1994/95 financial period, which would have ended on 30th June 1995, was to be extended to 31st December 1995. Accounts for that 18 month period are enclosed and a resolution referring to them is included in the ordinary business of the Annual General Meeting.

Purchase of Own Shares by the Company

A resolution seeking the continuation of the Company's existing authority to make market purchases of its own shares is included in the Notice of Meeting. Hitherto the Board has not used this authority. The Board is now considering making market purchases but only to match allotments of new shares issued through the Scrip Dividend Scheme and the Group's share option schemes, thereby avoiding the dilutive effect of such allotments on the Company's share capital.

Recommendation

Your Board believes that the proposed resolutions are in the best interests of the Company and recommends you to vote in favour of them, as your Directors intend to do in respect of their beneficial shareholdings.

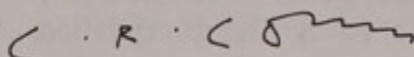
Scrip Dividend Scheme

The Board intends to apply the Scrip Dividend Scheme to the recommended final cash dividend; further information is given on page 86 of the Annual Report and Accounts. If you have not already joined the Scheme and now wish to apply, full details and an application form may be obtained from the Company's registrar: Lloyds Bank Registrars, The Causeway, Worthing, West Sussex BN99 6DA. Telephone: 01903 833960. If you are joining the Scheme, your application form must be received by Lloyds Bank Registrars no later than 30th April 1996 if you wish to participate in the Scrip Dividend Scheme for the proposed final dividend payable on 20th May 1996. Existing participants in the Scheme need take no further action unless they wish to withdraw from it in which case their written notification to that effect should be received by the Company's registrar no later than 30th April 1996.

CREST

The Board considers that the Company's Ordinary Shares should be included amongst those that can be traded in the CREST electronic system for settling sales and purchases of shares in the UK. Formal notification to shareholders in this regard is set out on page 4 of this document. You will, of course, be able to continue to hold your Ordinary Shares in the form of share certificates should you wish to.

Yours sincerely,



Sir Colin Corness
Chairman

Glaxo Wellcome plc

Lansdowne House
Berkeley Square
London
W1X 6BQ
UK

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+44 (0)171 408 0228

Registered in England
No 1047315
Registered Office
Lansdowne House
Berkeley Square
London
W1X 6BQ

Notice of Meeting

Notice is hereby given that the twenty-fifth Annual General Meeting of Glaxo Wellcome plc will be held at The London Hilton on Park Lane, 22 Park Lane, London W1 on Thursday 16th May 1996 at 2.00 p.m. Resolutions 1 to 8 and 11 will be proposed as Ordinary Resolutions and Resolutions 9 and 10 will be proposed as Special Resolutions.

Ordinary business

- 1 To receive the Report of the Directors, the Accounts for the 18 months ended 31st December 1995 and the Report of the Auditors thereon.
- 2 To declare a final dividend of 15p per Ordinary Share.
- 3 To elect Mr J H McArthur as a Director of the Company.
- 4 To re-elect Mrs A A L Armstrong as a Director of the Company.
- 5 To re-elect Lord Kingsdown as a Director of the Company.
- 6 To re-elect Mr S P Lance as a Director of the Company.
- 7 To reappoint Coopers & Lybrand as auditors of the Company.
- 8 To authorise the Directors to fix the remuneration of the auditors.

Special business

9 Purchase of Own Shares by the Company (Special Resolution)

THAT the Company be generally authorised pursuant to and in accordance with Section 166 of the Companies Act 1985 to make market purchases of its own Ordinary Shares upon and subject to the following conditions:

- a the maximum number of such shares in the Company hereby authorised to be acquired is 350 million;
- b the minimum price, exclusive of any advance corporation tax payable by the Company and expenses, which may be paid for each such share is 25p;
- c the maximum price, exclusive of any advance corporation tax payable by the Company and expenses, which may be paid for any such share is an amount equal to 105 per cent of the average of the middle market quotations for the Ordinary Shares in the Company taken from the London Stock Exchange Daily Official List for the ten business days immediately preceding the day on which such share is contracted to be purchased;
- d the authority hereby conferred shall expire on the earlier of 15th November 1997 or at the close of the Company's next Annual General Meeting; and
- e the Company may enter into a contract for the purchase of such shares before the expiry of this authority which would or might be completed wholly or partly after its expiration.

10 Disapplication of Pre-emption Rights (Special Resolution)

THAT, pursuant to and in accordance with Section 95 of the Companies Act 1985 ("the Act"), the power to allot equity securities (within the meaning of Section 94 of the Act) for cash as if Section 89(1) of the Act did not apply to such allotment, which was conferred on the Directors, being generally authorised for the purposes of Section 80 of the Act, by a Special Resolution passed on 17th November 1995 ("the Resolution") be renewed and for the purposes of this renewal the Section 89 Expiry Date and the Section 89 Limit (both as provided for in the Resolution) shall be 15th August 1997 and £43.5 million in nominal amount respectively.

11 Amendment of Savings Related Share Option Schemes

THAT the Directors be empowered to make such changes to the Glaxo Wellcome UK Savings Related Share Option Scheme ("the UK Scheme") as to permit participants to be granted options which may be exercised, so far as the Company permits, when a bonus becomes payable under a related savings contract and over the number of shares which can be acquired with the proceeds of that savings contract. Further, THAT corresponding changes be made to the Glaxo Wellcome International Savings Related Share Option Scheme so that it operates, if practicable, in the same way as the UK Scheme.

By Order of the Board

S J Cowden
Secretary
Lansdowne House
Berkeley Square
London W1X 6BQ

11th March 1996

Notes

- a A shareholder entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote on his/her behalf. A proxy need not be a shareholder.
- b Completed forms of proxy must be delivered to Lloyds Bank Registrars, The Causeway, Worthing, West Sussex BN99 6DA at least 48 hours before the time appointed for holding the Meeting.
- c A copy of all service contracts of Directors with the Company or any of its subsidiaries and the register of interests of Directors (and their families) in the shares of the Company will be available for inspection at the registered office of the Company, during normal business hours on any weekday (Saturdays excluded), from the date of this Notice until 16th May 1996 and at The London Hilton on Park Lane, 22 Park Lane, London W1 on 16th May 1996 from 1.30 p.m. until the conclusion of the Meeting.

APPENDIX

Explanatory notes on the Special Business of the 1996 Annual General Meeting

Resolution 9: Purchase of Own Shares by the Company (Special Resolution)

This resolution seeks a continuation of the Company's authority to make market purchases of its own shares up to a maximum of just under ten per cent of its current issued share capital. Your Board has no present intention of exercising the existing authority or the authority now being sought but it is considering making market purchases to match the allotment of new shares issued by the Company under the Scrip Dividend Scheme and the Group's share option schemes, thereby avoiding the dilutive effect of allotments under such schemes. Purchases of the Company's own shares will be made only if they can be expected to result in an increase in earnings per share and to be in the best interests of shareholders generally.

Resolution 10: Disapplication of Pre-emption Rights (Special Resolution)

At the Annual General Meeting in 1995 a Special Resolution was passed which empowered the Directors, in certain limited circumstances, to allot shares for cash without first offering them proportionately to existing shareholders in the manner set out in the Companies Act 1985. The power was limited to issuing shares:

- a for the purposes of a scrip dividend;
- b for the purposes of a rights issue (so enabling the Company to avoid the practical problems which can arise in complying with the Companies Act requirements); and
- c for other purposes but only up to £43.5 million in nominal value (equivalent to nearly five per cent of the Company's existing issued share capital).

The power will expire at the coming Annual General Meeting. Although your Board has no immediate intention of exercising the power other than in the context of a scrip dividend, shareholders are asked to renew it on the same terms until the next Annual General Meeting (and in any event no later than 15th August 1997) when it is probable that a further renewal will be sought.

Resolution 11: Amendment of Savings Related Share Option Schemes

The Chancellor of the Exchequer's budget statement in November 1995 included a proposal to reduce the minimum duration of savings contracts for savings related share option schemes to three years. As a consequence, the minimum period after which an option can be exercised under the rules of such schemes must also be reduced to the equivalent of three years. If the proposed changes are to be made available to the Company's staff prior to the 1997 Annual General Meeting, shareholders' authority is required for the Board to make consequent changes to the Company's savings related share option schemes which were approved at the Annual General Meeting on 17th November 1995. The purpose of this resolution is to give such authority to the Board.

CREST – Notification to Shareholders

CREST is a new settlement system for the electronic transfer of shares in the UK which is to become operational in July 1996. **The Board gives notice to shareholders, in accordance with the Uncertificated Securities Regulations 1996, that the Company intends to pass a resolution of its Directors that title to the Ordinary Shares of 25 pence each in the capital of the Company, in issue or to be issued, may be transferred by means of a relevant system.** This resolution will enable the Company's Ordinary Shares to be traded within CREST, subject to the operator of the CREST system, CRESTCo Limited, giving approval for the Ordinary Shares to become so transferable. This is expected to be in mid-November 1996. The resolution will also override any provisions of the Company's Articles of Association which are inconsistent with the operation of CREST in relation to the Company's Ordinary Shares. Further information for private shareholders on CREST is given in the pamphlet from CRESTCo Limited enclosed with the Annual Report.



CREST

What it means
for you

THE PRIVATE SHAREHOLDER



CREST is the new computerised system for settling sales and purchases of shares. Beginning in July 1996, CREST will modernise the way in which shares (and other securities) are settled. CREST will bring the UK and Eire up to the best international standards, by making settlement cheaper, faster and more secure. Everyone will be able to hold shares in electronic form as a computer record, rather than in paper. Electronic holdings can be quickly, cheaply and safely exchanged for money in CREST when you buy or sell shares. BUT you need not change what you do now, if you do not want to!

WHY CREST IS NEEDED

CREST will remove much of the enormous and expensive movement of paper around the country which happens when shares are traded now.

CREST IS VOLUNTARY

You will not be forced to use CREST, though transferring shares will be quicker and safer if you do. While most large investors will use CREST, you can keep your certificates if you want: this will be a sensible option for investors who do not trade frequently.

WHAT CREST WILL DO

Just as you can hold your money either in notes and coin or as an electronic record in a bank account, so you can hold your shares in physical form, with certificates, or in electronic form in an account in CREST. CREST will operate through a number of members, typically banks, brokers and other market professionals. Private investors can use CREST in one of two ways:-

- 1** *directly by being a sponsored member of CREST (see back page).*
- 2** *indirectly by holding their shares through a member's nominee.*

**WHERE CAN I FIND OUT
MORE ABOUT CREST?**

Your broker will tell you about his plans for serving your needs, using CREST. If you would like more information (for example, on sponsored membership), please write to the address on the back page.

How do I settle my share transactions if I am not a member of CREST?

You will notice no difference from the way you buy and sell shares now.

If you are selling, you will still complete and sign a transfer form and pass the form and certificate(s) to your broker. You will also be able to ask your broker to buy shares for you with certificates, just as you do now.

Will I pay more if I choose to keep my share certificates?

There is no charge for holding shares now, and CREST will not change that.

When you buy or sell shares, you have to pay a commission, which includes a small component for central settlement. There is a big variation in charges made by different firms, so you may want to shop around for the best deal.

In future, commissions may be a little lower for trading electronically than for dealing with certificates.

How will I receive my dividend if I keep my certificate?

You will continue to receive dividends just as you do now: CREST does not change that.

Do I need to become a customer of a nominee when CREST arrives?

No, not if you don't wish to. Of course, you may choose to use the service of a nominee company which is itself a member of CREST. In that case your shares will be held in electronic form within CREST, but in the name of the nominee. That is how nominees work now, and they are used by millions of investors. If you choose to hold your shares through a nominee, you should check what information you can receive from the company whose shares you hold, what you will be charged by the nominee and how your holdings will be protected. You could ask whether the operator of the nominee complies with the ProShare Code on Nominee Holdings (available from ProShare, Library Chambers, 13-14 Basinghall Street, London, EC2V 5BQ).

If my shares are in CREST, can I take them out in paper form?

Yes. You can instruct your broker to remove all or part. You will then be sent the certificates.

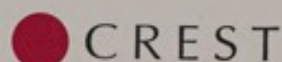
**SPONSORED MEMBERSHIP OF CREST
FOR THE PRIVATE INVESTOR**

If you are an active shareholder, you might like to consider being a sponsored member of CREST. Then CREST will hold an electronic record of your shareholdings. You will no longer have share certificates, but your name will still appear on the company register of shareholders which - as today - is the proof of your title of ownership. You will have a direct relationship with the company whose shares you hold and you will continue to receive company Reports and Accounts. Sponsored membership gives you the benefits of electronic settlement without the need to spend money on your own computer link to CREST, while maintaining all your rights as a company shareholder.

As a sponsored member, you will authorise a CREST user (your sponsor) to operate your membership on your behalf.

A number of stockbrokers and other intermediaries are willing to act as sponsor for their clients in CREST. Your sponsor will act on your instructions. You will need to choose your sponsor carefully - to satisfy yourself that the firm is competent. Ask your sponsor about regulation and compensation arrangements.

CREST will charge the sponsor £20 per annum for each sponsored member. You will need to talk to your sponsor about how much he will charge you. We expect that sponsors will provide the service at a price which makes it attractive to the active investor.



CRESTCo Limited
Trinity Tower, 9 Thomas More Street, London E1 9YN

Addresses for correspondence**Registered office**

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Lansdowne House
Berkeley Square
London W1X 6BQ
Telephone 0171 493 4060
Fax 0171 408 0228

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Glaxo Wellcome House
Berkeley Avenue
Greenford
Middlesex UB6 0NN
Telephone 0181 966 8401/8369
Fax 0181 966 8827

Investor relations (USA)

Glaxo Wellcome plc
Investor Relations Department
499 Park Avenue
New York
NY 10022
Telephone 212 308 5186
Fax 212 308 5263

Registrar

Lloyds Bank Registrars
The Causeway
Worthing
West Sussex BN99 6DA
Telephone 01903 833960
Fax 01903 833012

Glaxo Wellcome corporate PEPs

Bradford & Bingley (PEPs) Limited
P.O. Box 1
Taunton Street
Shipley
West Yorkshire BD18 3YR
Telephone 01274 555700

Low cost share dealing facility

Pershing Securities Limited
3 Harbour Exchange Square
London E14 9GD
Telephone 0171 345 6000

Share donation scheme

Wise Speke Limited
P.O. Box 512
8 King Street
Manchester M60 2EP

ADRs/Dividend Reinvestment Plan

The Bank of New York
Investor Relations Department
PO Box 11258
Church Street Station
New York
NY 10286-1258
Telephone 1 800 524/4458 (Toll Free)
or 212 815 5800 (outside US)

Shares listed on the Tokyo Stock Exchange

The Toyo Trust & Banking Co., Limited
Corporate Agency Department
10-11 Higashisuma 7-Chome
Koto-ku
Tokyo 137-81
Telephone 813 5683 5111

Financial calendar

Annual General Meeting	The London Hilton on Park Lane, 22 Park Lane, London W1	16th May 1996
Announcements	Half year results	31st July 1996
Dividends	Final dividend Ex-dividend date Record date Payable £/US\$ conversion date for ADR holders Payable to ADR holders	18th March 1996 26th March 1996 20th May 1996 20th May 1996 30th May 1996
Scrip dividend scheme	Share price calculation period Last date for receipt of scrip dividend mandates First date for dealings in the new Ordinary Shares	18th March 1996 to 22nd March 1996 30th April 1996 20th May 1996
Interest payments	Japanese Yen Convertible Bonds £ Bonds due 2005 US\$ Notes due 2000 US\$ Notes due 2006	4.3 per cent payable 28th March 1996 and 28th September 1996 8.75 per cent payable 1st December 1996 6.75 per cent payable 31st May 1996 6.125 per cent payable 25th January 1997

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