

**Grifols UK Limited**  
**(previously Alpha Therapeutic UK Limited)**

**Directors' report and financial statements**

31 December 1998

Registered number 1456099



## **Directors' report and financial statements**

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## **Directors' report**

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

### **Principal activities**

The principal activity of the company continues to be the marketing of plasma derivatives.

### **Business review**

The results for the year were very good, mainly because the company has been able to benefit from the opportunities arising as a result of new variant CJD issues. In particular, the sales volumes of Factor VIII and Factor IX concentrates have increased substantially.

On 2 November 1998, a recall notice was received from one of the company's suppliers, relating to certain products which had been manufactured between 11 December 1997 and 25 June 1998. Adjustment has been made for all affected product which was notified to the company.

### **Change of name**

On 15 April 1998 the company changed its name from Alpha Therapeutic UK Limited to Grifols UK Limited.

### **Research and development**

All research and development for the products sold by the company are performed by group manufacturing companies.

### **Year 2000**

Year 2000 compliance issues have been actively considered by the company and plans are in place to implement the action which is necessary. The costs are being evaluated as part of a group wide systems upgrade.

### **Proposed dividend**

The directors do not recommend the payment of a dividend.

### **Directors and directors' interests**

The directors who held office during the year were as follows:

	Ordinary shares of £1 each	
	1998	1997
H E Matveld (Chairman) - resigned April 1998	-	-
V Grifols Roura (Chairman) - appointed May 1998	-	-
B Barber (Company Secretary)	-	-
I Marshall	-	-
G Rich - resigned April 1998	-	-

## Directors' report (continued)

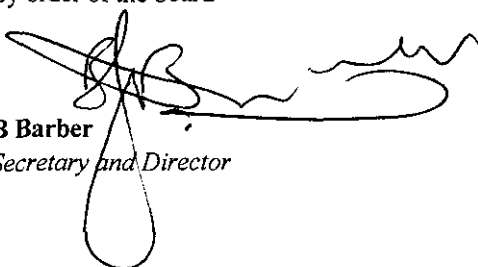
### Political and charitable contributions

The company made no political contributions or donations during the year.

### Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting. KPMG were appointed auditors during the year.

By order of the board

  
**B Barber**  
*Secretary and Director*

Howlett Way  
Thetford  
Norfolk  
IP24 1HZ

Date:

26<sup>th</sup> January 1999

## **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



37 Hills Road  
Cambridge  
CB1 2XL

## **Report of the auditors to the members of Grifols UK Limited (previously Alpha Therapeutic UK Limited)**

We have audited the financial statements on pages 5 to 20.

### **Respective responsibilities of directors and auditors**

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG*

**KPMG**  
*Chartered Accountants  
Registered Auditors*

*3 February 1999*

## **Profit and loss account**

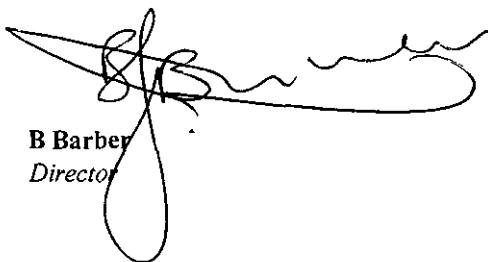
*for the year ended 31 December 1998*

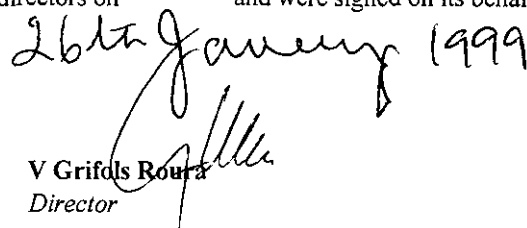
	<i>Note</i>	<b>1998</b>	<b>13 months ended</b>
		<b>£000</b>	<b>31 December 1997</b>
			<b>£000</b>
<b>Turnover</b>	2, 3	<b>20,291</b>	<b>15,948</b>
Cost of sales		<b>(15,918)</b>	<b>(11,825)</b>
		<hr/>	<hr/>
<b>Gross profit</b>		<b>4,373</b>	<b>4,123</b>
Distribution costs	3	<b>(1,115)</b>	<b>(1,248)</b>
Administrative expenses	3	<b>(1,614)</b>	<b>(2,080)</b>
		<hr/>	<hr/>
<b>Operating profit</b>	3, 4	<b>1,644</b>	<b>795</b>
Other interest receivable and similar income	6	<b>300</b>	<b>78</b>
Amounts written off investments		<b>-</b>	<b>(18)</b>
Interest payable and similar charges	7	<b>(17)</b>	<b>(9)</b>
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>	2-5	<b>1,927</b>	<b>846</b>
Tax on profit on ordinary activities	8	<b>(624)</b>	<b>(350)</b>
		<hr/>	<hr/>
<b>Retained profit for the year/period</b>		<b>1,303</b>	<b>496</b>
		<hr/> <hr/>	<hr/> <hr/>

**Balance sheet**  
at 31 December 1998

	Note	1998 £000	1997 £000
<b>Fixed assets</b>			
Tangible assets	9	362	492
Investments	10	-	10
		<u>362</u>	<u>502</u>
<b>Current assets</b>			
Stocks	11	2,836	1,287
Debtors	12	5,119	3,796
Cash at bank and in hand		1,500	3,381
		<u>9,455</u>	<u>8,464</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(2,379)</u>	<u>(2,831)</u>
<b>Net current assets</b>		<u>7,076</u>	<u>5,633</u>
<b>Net assets</b>		<u>7,438</u>	<u>6,135</u>
<b>Capital and reserves</b>			
Called up share capital	14	3	3
Share premium account	15	3,070	3,070
Profit and loss account	15	4,365	3,062
		<u>7,438</u>	<u>6,135</u>

These financial statements were approved by the board of directors on \_\_\_\_\_ and were signed on its behalf by:

  
**B Barber**  
Director

*26th January 1999*  
  
**V Grifols Roura**  
Director



## Cash flow statement

for the year ended 31 December 1998

	Note	1998 £000	13 months ended 31 December 1997 £000
<b>Reconciliation of operating profit to net cash flow from operating activities</b>			
Operating profit		1,644	795
Depreciation charges		84	116
Amortisation of fixed assets		-	301
Adjustment on termination of lease contract		-	83
Provision for loss on investment		-	18
Loss/(profit) on sale of fixed assets		59	(49)
(Increase)/decrease in stocks		(1,549)	1,803
Decrease/(increase) in debtors		1,427	(1,408)
(Decrease) in creditors		(721)	(83)
		<hr/>	<hr/>
Net cash inflow from operating activities		944	1,576
		<hr/>	<hr/>

## Cash flow statement

Cash flow from operating activities		944	1,576
Returns on investments and servicing of finance	19	283	69
Taxation		(342)	(86)
Capital expenditure and financial investment	19	(2,753)	(1,130)
		<hr/>	<hr/>
Cash (outflow)/inflow before management of liquid resources and financing		(1,868)	429
Financing	19	(13)	3,037
		<hr/>	<hr/>
(Decrease)/increase in cash in the period		(1,881)	3,466
		<hr/>	<hr/>
<b>Reconciliation of net cash flow to movement in net debt</b>			
	20		
(Decrease)/increase in cash in the period		(1,881)	3,466
		<hr/>	<hr/>

## Statement of total recognised gains and losses

*for the year ended 31 December 1998*

	1998 £000	1997 £000
Profit for the financial year	1,303	496
Total recognised gains and losses relating to the financial year	<u>1,303</u>	<u>496</u>

## Note of historical cost profits and losses

*for the year ended 31 December 1998*

	1998 £000	1997 £000
Reported profit on ordinary activities before taxation	1,927	846
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	4	5
Historical cost profit on ordinary activities before taxation	<u>1,931</u>	<u>851</u>
Historical cost profit for the year retained after taxation	<u>1,307</u>	<u>501</u>

## Reconciliation of movements in shareholders' funds

*for the year ended 31 December 1998*

	1998 £000	1997 £000
Profit for the financial year	1303	496
New share capital subscribed (net of issue costs)	-	3,072
Net addition to shareholders' funds	<u>1,303</u>	<u>3,568</u>
Opening shareholders' funds	6,135	2,567
Closing shareholders' funds	<u>7,438</u>	<u>6,135</u>

## Notes

(forming part of the financial statements)

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules, modified to include the revaluation of land and buildings.

#### *Fixed assets and depreciation*

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	5% per annum on valuation
Leasehold buildings	-	life of lease
Warehouse plant and equipment	-	20% per annum on cost
Warehouse office equipment	-	33% per annum on cost
Fixtures and fittings	-	20% per annum on cost
Motor vehicles	-	25% per annum on cost

No depreciation is provided on freehold land.

#### *Foreign currencies*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

## Notes (continued)

### Accounting policies (continued)

#### *Leases*

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

#### *Post-retirement benefits*

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

#### *Research and development expenditure*

Expenditure on research and development is written off against profits in the year in which it is incurred.

#### *Stocks*

Stocks are stated at the lower of cost and net realisable value.

#### *Taxation*

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Advance corporation tax recoverable by deduction from future corporation tax is carried forward within deferred taxation or as ACT recoverable within debtors as appropriate.

#### *Turnover*

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

#### *Cash*

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

**Notes** *(continued)*

**2 Analysis of turnover**

	1998 Turnover £000	1997 Turnover £000
United Kingdom	18,795	14,429
Europe	1,437	1,452
North America	51	65
Middle East	8	-
Japan	-	2
	<hr/> 20,291 <hr/>	<hr/> 15,948 <hr/>

**3 Profit on ordinary activities before taxation**

	1998 £000	1997 £000
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration:		
Audit	13	13
Other services - fees paid to the auditor	5	9
Depreciation and other amounts written off tangible fixed assets:		
Owned	84	210
Leased	-	41
Hire of leasehold building- rentals payable under operating lease	-	38
Hire of other assets - operating leases	98	19
Book (profit) on termination of lease contract	-	(49)
(Profit) on sale of fixed assets	(5)	-
Provision for loss in value of investment	-	18
Net foreign exchange differences charged	12	76
Exceptional amortisation of tangible fixed assets	64	165

## Notes (continued)

### 4 Remuneration of directors

	1998 £000	1997 £000
Directors' emoluments	202	481

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £202,121 (1997: £229,206).

### 5 Staff numbers and costs

The average number of persons employed by the company (including director) during the year, analysed by category, was as follows:

	Number of employees 1998	1997
Distribution		
Administration and research	17	16
	14	15
	31	31

The aggregate payroll costs of these persons were as follows:

	1998 £000	1997 £000
Wages and salaries	1,013	1,332
Social security costs	102	139
Other pension costs	139	169
	1,254	1,640

### 6 Other interest receivable and similar income

	1998 £000	1997 £000
Receivable from group undertakings	300	78

**Notes** *(continued)*

**7 Interest payable and similar charges**

	1998 £000	1997 £000
On bank loans and overdrafts	-	(4)
Net exchange losses	(12)	-
Finance charges payable in respect of finance leases and hire purchase contracts	(5)	(5)
	<u>(17)</u>	<u>(9)</u>

Of the above amount £Nil (1997: £Nil) was payable to group undertakings.

**8 Taxation**

	1998 £000	1997 £000
UK corporation tax at 31% (1997: 31.6%)	624	350
	<u>624</u>	<u>350</u>

## Notes (continued)

### 9 Tangible fixed assets

	Leasehold Property	Freehold land and buildings	Fixtures, fittings, plant and equipment	Motor vehicles	Software	Total
	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>						
At beginning of year	51	314	654	25	209	1,253
Additions	-	-	35	17	<sup>1</sup> (28)	24
Disposals	(51)	-	(12)	(25)	(132)	(220)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	-	314	677	17	49	1,057
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>						
At beginning of year	51	35	560	23	92	761
Charge for year	-	10	54	4	16	84
On disposals	(51)	-	(8)	(23)	(68)	(150)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	-	45	606	4	40	695
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>						
At 31 December 1998	-	269	71	13	9	362
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1997	-	279	94	2	117	492
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Freehold land and buildings were revalued on an open market basis on 31 March 1994.

Particulars relating to revalued assets are given below:

	1998 £000	1997 £000
<b>Land and buildings</b>		
At 1994 open market value and subsequent additions	314	314
Aggregate depreciation thereon	45	35
	<hr/>	<hr/>
Net book value	269	279
	<hr/>	<hr/>
Historical cost of revalued assets	342	342
Aggregate depreciation based on historical cost	(207)	(201)
	<hr/>	<hr/>
Historical cost net book value	135	141
	<hr/>	<hr/>

<sup>1</sup> This represents reimbursement of expenditure in previous year.



## Notes (continued)

### Tangible fixed assets (continued)

Other tangible fixed assets, including additions subsequent to the revaluation of land and buildings, are included at cost.

#### 10 Investments

	Alpha Therapeutic Benelux £000
<i>Shares</i>	
<i>Cost</i>	
At beginning of year	27
Disposals	(27)
	<hr/>
At end of year	-
	<hr/>
<i>Provisions</i>	
At beginning of year	17
Disposals	(17)
	<hr/>
At end of year	-
	<hr/>
<i>Net book value</i>	
At 31 December 1998	-
	<hr/>
At 31 December 1997	10
	<hr/>

#### 11 Stocks

	1998 £000	1997 £000
Finished goods and goods for resale	2,836	1,287
	<hr/>	<hr/>

## Notes (continued)

### 12 Debtors

	1998 £000	1997 £000
Trade debtors	1,301	2,663
Amounts owed by group undertakings	3,710	960
Other debtors	6	13
Prepayments and accrued income	102	160
	<u>5,119</u>	<u>3,796</u>

Debtors include loans to group companies £3,710,683 (1997: £960,241) which are likely to be due after more than one year.

### 13 Creditors: amounts falling due within one year

	1998 £000	1997 £000
Trade creditors	565	93
Obligations under finance leases and hire purchase contracts (see note 17)	-	13
Corporation tax	618	336
Amounts owed to group undertakings	842	2,100
Social security and other taxes	39	39
Other creditors	-	15
Accruals and deferred income	315	235
	<u>2,379</u>	<u>2,831</u>

### 14 Called up share capital

	1998 £000	1997 £000
<i>Authorised</i>		
Equity: Ordinary shares of £1 each	3	3
	<u>3</u>	<u>3</u>
<i>Allotted, called up and fully paid</i>		
Equity: Ordinary shares of £1 each	3	3
	<u>3</u>	<u>3</u>

**Notes** *(continued)*

**15 Share premium and reserves**

	Share premium account £000	Profit and loss account £000
At beginning of year	3,070	3,062
Retained profit for the year	-	1,303
	<hr/>	<hr/>
At end of year	3,070	4,365
	<hr/>	<hr/>

**16 Contingent liabilities**

No contingent liabilities existed at 31 December 1998 (1997: Nil).

## Notes (continued)

### 17 Commitments

- (a) Capital commitments at the end of the financial year for which no provision has been made, are as follows:

	1998 £000	1997 £000
Contracted	-	-
	<u>          </u>	<u>          </u>

- (b) Annual commitments under non-cancellable operating leases are as follows:

	1998	Other	1997	Other
	Land and buildings £000	£000	Land and buildings £000	£000
Operating leases which expire:				
Within one year	-	76	-	12
In the second to fifth years inclusive	-	26	-	31
Over five years	-	-	-	3
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	-	102	-	46
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

- (c) Annual commitments under non-cancellable finance leases are as follows:

	1998 £000	1997 £000
Finance leases which expire within one year	-	13
	<u>          </u>	<u>          </u>

### 18 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the fund and amounted to £138,511 (1997: £168,922).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

## Notes (continued)

### 19 Analysis of cash flows

	1998 £000	1998 £000	1997 £000	1997 £000
<b>Returns on investment and servicing of finance</b>				
Interest received	300		78	
Interest paid	(17)		(9)	
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
		283		69
		<u>          </u>		<u>          </u>
<b>Capital expenditure and financial investment</b>				
Purchase of tangible fixed assets	(24)		(170)	
Sale of plant and machinery	21		-	
Loans to group undertakings	(2,750)		(960)	
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
		(2,753)		(1,130)
		<u>          </u>		<u>          </u>
<b>Financing</b>				
Issue of ordinary share capital	-		3,072	
Capital element of finance lease	(13)		(35)	
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
		(13)		3,037
		<u>          </u>		<u>          </u>

### 20 Analysis of net debt

	At beginning of year £000	Cash flow £000	At end of year £000
Cash in hand, at bank	3,381	(1,881)	1,500
	<u>          </u>	<u>          </u>	<u>          </u>

### 21 Related party disclosures

The company is controlled by Grupo Grifols SA. The ultimate controlling party is Yoshitomi Pharmaceutical Industries Ltd, incorporated in Japan.

Under Financial Reporting Standard 8, the company is exempt from the requirement to disclose related party transactions with the Yoshitomi Pharmaceutical Industries group and its associated undertakings on the grounds that more than 90% of the voting rights are controlled within the group.

**Notes** *(continued)*

**22 Ultimate parent company and parent undertaking of larger group of which the company is a member**

The company is a subsidiary undertaking of Grupo Grifols SA incorporated in Spain.

The largest group in which the results of the company are consolidated is that headed by Yoshitomi Pharmaceutical Industries Ltd, incorporated in Japan. The smallest group in which they are consolidated is that headed by Grupo Grifols SA. The consolidated accounts of these groups are available to the public and may be obtained from:

Grupo Grifols SA  
Poligono Levante, Can Guasch 2  
08150 Parets del Valles  
Barcelona  
Spain

Yoshitomi Pharmaceutical Industries Ltd  
6-9, Hiranomachi 2 - chome  
Cho - ku  
Osaka 541 - 0046  
Japan