

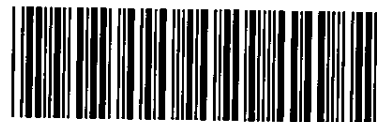
**Grifols UK Limited**

**Directors' report and financial  
statements**

**Registered number 1456099**

**31 December 2007**

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## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 December 2007

### **Principal activities**

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

### **Business review**

#### **Development and Performance of the Business 2007**

Grifols UK Limited (GUK) is a subsidiary of a parent company based in Barcelona, Spain. Allocation for distribution in the UK is largely a central decision based on UK needs. In the Plasma products side of the company, for the second year, restricted allocation of intravenous immunoglobulin meant that sales were below those of the prior year in volume terms. Management were able to fully compensate for this shortfall by achieving higher prices. Supply restrictions for Factor VIII necessitated controlled and focused sales activity in a specialised niche, and both volume and sales are lower than 2006.

Turnover in the Diagnostics side of the business has grown 12% from 2006 and is awaiting the launch of new products in 2008 to further stimulate growth through 2008/09.

Following the decision to cease trading through GUK's sister companies Alpha Therapeutic UK Limited and Alpha Therapeutic Europe Limited, GUK will, in 2008, be selling the products previously sold by these companies. In 2007 this turnover amounted to £2.6m.

Adverse sterling-euro exchange rates significantly impacted the cost of goods in the year.

The demand for the principal product, intravenous immunoglobulin (IVIG) continues to be strong, and with improved supply promised during 2008, new market segments for this product can be targeted. With the supply situation eased in the Factor VIII, market significant growth in volume sales is also planned in this area for 2008.

### **Risks and Uncertainties**

The NHS is by far the major customer for Grifols UK Ltd. The national contract for factor concentrates will be re-negotiated in April and July 2008 and this could affect demand and pricing in the market place.

The exceptional growth of Grifols' US subsidiary (on the back of US demand) will mean that Grifols UK faces similar but not enhanced allocations of plasma products over the next few years, and growth through increased sales volumes will be difficult in the plasma products arena.

Grifols UK is awaiting new product launches in the Diagnostics area, which will increase the range of products that can be sold in the UK.

## **Directors report** *(continued)*

### **Key Performance Indicators**

Total company sales 115% of Plan for 2007  
Bioscience Division sales 103% of Plan for 2007  
Diagnostic Division Sales 86% of Plan for 2007

Total Company Margins 86% of Plan for 2007  
Bioscience Division Margins 117% of Plan for 2007  
Diagnostic Division Margins 85% of Plan for 2007

Business measures are made against a Group agreed budget plan set annually. Margins are calculated before Distribution costs and Administration expenses but including the standard cost of products sold and all appropriately allocated costs of that sale.

The profit for the period after taxation amounted to £2,452,000 (2006 £2,061,000). Dividends paid in the year amounted to £3,500,000 (2006 £3,500,000).

### **Research and development**

Research and development activities for the products sold by the company are directed primarily by group manufacturing companies.

### **Directors**

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

V Grifols Roura (Chairman)  
M McDonnell  
B Barber (resigned 31 December 2007)

### **Political and charitable contributions**

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


### **Statement of disclosure of information to auditors**

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### **Auditors**

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

By order of the board

  
M Murray  
Secretary

14<sup>th</sup> March 2008

1 Bedford Row  
LONDON  
WC1R 4BZ

## **Statement of directors' responsibilities in respect of the directors' report and the financial statements**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally accepted Accounting Practice)

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing these financial statements

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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



## KPMG LLP

37 Hills Road  
Cambridge  
CB1 2XL

### **Report of the independent auditors' to the members of Grifols UK Limited**

We have audited the financial statements of Grifols UK Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders Funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

**Report of the independent auditors' to the members of Grifols UK Limited**  
*(continued)*

**Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' report is consistent with the financial statements

*KPMG LLP*

KPMG LLP  
*Chartered Accountants*  
*Registered Auditor*

*14<sup>th</sup> March 2008*

**Profit and loss account**  
*for the year ended 31 December 2007*

	<i>Note</i>	<b>2007</b>	<b>2006</b>
		<b>£000</b>	<b>£000</b>
Turnover	2	24,029	24,317
Cost of sales		(17,231)	(17,747)
<b>Gross profit</b>		<b>6,798</b>	<b>6,570</b>
Distribution costs		(2,035)	(2,066)
Administrative expenses		(1,314)	(1,606)
<b>Operating profit</b>		<b>3,449</b>	<b>2,898</b>
Other interest receivable and similar income	6	96	119
<b>Profit on ordinary activities before taxation</b>	3	<b>3,545</b>	<b>3,017</b>
Tax on profit on ordinary activities	7	(1,093)	(956)
<b>Profit on ordinary activities after taxation</b>		<b>2,452</b>	<b>2,061</b>
<b>Profit for the financial year</b>		<b>2,452</b>	<b>2,061</b>

All profits arise from continuing operations

There were no recognised gains or losses other than the profit for the financial year

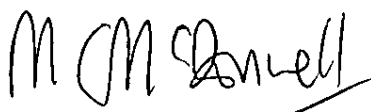


**Balance sheet**  
*at 31 December 2007*

	<i>Note</i>	<b>2007</b> <b>£000</b>	<b>2006</b> <b>£000</b>
<b>Fixed assets</b>			
Tangible assets	9	704	704
<b>Current assets</b>			
Stocks	10	3,363	2,249
Debtors	11	3,448	2,718
Cash at bank and in hand		412	1,967
		<u>7,223</u>	<u>6,934</u>
<b>Creditors</b> amounts falling due within one year	12	<u>(3,521)</u>	<u>(2,184)</u>
<b>Net current assets</b>		<u>3,702</u>	<u>4,750</u>
<b>Net assets</b>		<u>4,406</u>	<u>5,454</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	1,333	2,381
<b>Shareholders' funds</b>		<u>4,406</u>	<u>5,454</u>

These financial statements were approved by the board of directors on  
on its behalf by

14<sup>th</sup> March 2008 and were signed



**M McDonnell**  
*Director*

**Reconciliation of movements in shareholders' funds**  
*for the year ended 31 December 2007*

	<b>2007</b>	<b>2006</b>
	<b>£000</b>	<b>£000</b>
<b>Profit for the financial year</b>	<b>2,452</b>	<b>2,061</b>
Dividends	<b>(3,500)</b>	<b>(3,500)</b>
	<hr/>	<hr/>
<b>Net movement in shareholders' funds</b>	<b>(1,048)</b>	<b>(1,439)</b>
Opening shareholders' funds	<b>5,454</b>	<b>6,893</b>
	<hr/>	<hr/>
<b>Closing shareholders' funds</b>	<b>4,406</b>	<b>5,454</b>
	<hr/>	<hr/>

## 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 financial statements

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements

As the company is a wholly owned subsidiary of Grifols SA, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties) The consolidated financial statements of Grifols SA, within which this company is included, can be obtained from the address given in note 19

#### *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

Warehouse plant and equipment	-	10%
Fixtures and fittings	-	10%
Computer equipment	-	25%
Leasehold buildings	-	10%
Motor vehicles	-	16%
Equipment on loan	-	33%

#### *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

#### *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



## Notes (continued)

### 4 Remuneration of directors

	2007 £000	2006 £000
Directors' emoluments	347	370

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £301,000 (2006 £234,000)

Retirement benefits are accruing to the following number of directors under

	2007	2006
Money purchase schemes	2	2

### 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	
	2007	2006
Distribution	26	24
Administration and research	11	13
	37	37

The aggregate payroll costs of these persons were as follows

	2007 £000	2006 £000
Wages and salaries	1,832	1,866
Social security costs	228	220
Other pension costs (see note 18)	208	213
	2,268	2,299

### 6 Other interest receivable and similar income

	2007 £000	2006 £000
Interest on deposits	96	119

## Notes (continued)

### 7 Taxation

#### Analysis of charge in period

	2007		2006
	£000	£000	£000
<i>UK corporation tax</i>			
Current tax on income for the period	1,104	948	
Adjustment in respect of prior years	(51)	-	
	<hr/>	<hr/>	<hr/>
Total current tax	1,053		948
<i>Deferred tax (see note 13)</i>			
Origination and reversal of timing differences	45	7	
Effect of decrease in tax rate	(5)	-	
Adjustment in respect of prior years	-	1	
	<hr/>	<hr/>	<hr/>
	40		8
	<hr/>		<hr/>
Tax on profit on ordinary activities	1,093		956
	<hr/>		<hr/>

#### Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2006 higher) than the standard rate of corporation tax in the UK of 30% (2006 30%). The differences are explained below

	2007	2006
	£000	£000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	3,545	3,017
	<hr/>	<hr/>
Current tax at 30% (2006 30%)	1,064	905
<i>Effects of</i>		
Expenses not (taxable)/deductible for tax purposes	(5)	50
Capital allowances for period less than/(in excess) of depreciation	45	(7)
Adjustment in respect of prior years	(51)	-
	<hr/>	<hr/>
Total current tax charge (see above)	1,053	948
	<hr/>	<hr/>

## Notes (continued)

### 8 Dividends

The aggregate amount of dividends comprises

	2007 £000	2006 £000
Final dividends paid in respect of prior year	2,380	-
Interim dividend paid in respect of current year	1,120	3,500
	<u>3,500</u>	<u>3,500</u>

The aggregate amount of dividends proposed, but not recognised as liabilities at the year end is £nil (2006 £nil)

### 9 Tangible fixed assets

	Fixtures, fittings, plant and equipment £000	Motor vehicles £000	Leasehold land and buildings £000	Total £000
<b>Cost or valuation</b>				
At beginning of year	1,083	16	1,034	2,133
Additions	244	-	467	711
Disposals	(288)	-	(1,034)	(1,322)
	<u>1,039</u>	<u>16</u>	<u>467</u>	<u>1,522</u>
<b>Depreciation</b>				
At beginning of year	799	9	621	1,429
Charge for year	141	3	49	193
Disposals	(157)	-	(647)	(804)
	<u>783</u>	<u>12</u>	<u>23</u>	<u>818</u>
<b>Net book value</b>				
At 31 December 2007	<u>256</u>	<u>4</u>	<u>444</u>	<u>704</u>
At 31 December 2006	<u>284</u>	<u>7</u>	<u>413</u>	<u>704</u>

### 10 Stocks

	2007 £000	2006 £000
Finished goods and goods for resale	<u>3,363</u>	<u>2,249</u>

## Notes (continued)

### 11 Debtors

	2007 £000	2006 £000
Trade debtors	3,175	2,467
Amounts owed by group undertakings	1	24
Other debtors	23	29
Prepayments and accrued income	175	164
Deferred tax asset (note 13)	74	34
	<u>3,448</u>	<u>2,718</u>

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

	2007 £000	2006 £000
Trade creditors	282	319
Amounts owed to group undertakings	2,458	1,239
Corporation tax	318	255
Social security and other taxes	102	85
Accruals and deferred income	361	286
	<u>3,521</u>	<u>2,184</u>

### 13 Deferred tax asset

	2007 £000	2006 £000
At the beginning of the year	34	42
Transferred to profit and loss account	40	(8)
	<u>74</u>	<u>34</u>

The elements of deferred taxation are as follows

	2007 £000 Provided	2007 £000 Unprovided	2006 £000 Provided	2006 £000 Unprovided
Difference between accumulated depreciation and capital allowances	<u>74</u>	<u>-</u>	<u>34</u>	<u>-</u>



## Notes (continued)

### 14 Called up share capital

	2007 £000	2006 £000
<i>Authorised</i>		
Ordinary shares of £1 each	3	3
	<u>          </u>	<u>          </u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	3	3
	<u>          </u>	<u>          </u>

### 15 Share premium and reserves

	Share premium account £000	Profit and loss account £000
At beginning of year	3,070	2,381
Profit for the financial year	-	2,452
Dividends	-	(3,500)
	<u>          </u>	<u>          </u>
At end of year	3,070	1,333
	<u>          </u>	<u>          </u>

### 16 Contingent liabilities

No contingent liabilities existed at 31 December 2007 (2006 £nil)

### 17 Commitments

(a) There were no capital commitments at the end of the financial year for which no provision has been made

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

	Land and buildings £000	2007 Other £000	Land and buildings £000	2006 Other £000
Operating leases which expire				
Within one year	-	20	-	13
In the second to fifth years inclusive	-	100	190	100
More than five years	189	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	189	120	190	113
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

## **Notes** *(continued)*

### **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 £208,000 (2006 £213,000).

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

### **19 Ultimate parent company**

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

The largest group in which the results of this company are consolidated is that headed by Grifols SA. The consolidated accounts of this company are available to the public and may be obtained from:

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