

Grifols UK Limited

**Directors' report and financial
statements**

Registered number 1456099

31 December 2008

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2008.

Principal activities

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

Business review

Development and Performance of the Business 2008

Grifols UK Limited (GUK) is a subsidiary of Grifols SA based in Barcelona, Spain. Product allocation for distribution in the UK is largely a central decision based on forecast needs, provided by the UK. In the Plasma products side of the business product supply has eased and the shortfall in Factor concentrate volumes experienced in 2007 has been reversed. This line exceeded Plan in 2008, in fact Factor VIII sales in 2008 were a record for the company and GUK is by far the UK market leader in plasma derived Factor VIII. IVIG volumes in 2008 were restricted to 2007 levels as the DoH Demand Management Plan reduced usage of this product for all suppliers.

Following the decision taken in late 2007 to cease trading through GUK's sister companies, Alpha Therapeutic UK Ltd and Alpha Therapeutic Europe Ltd, the products previously sold by these companies contributed £2.6m in turnover in 2008. Alphanine is now the number one plasma derived Factor IX in the UK, and significant growth for this product is anticipated through 2009.

GUK's Diagnostics business experienced significant growth in the New Technologies area during 2008, which will continue through 2009. A new Transfusion Medicine business has been started, taking advantage of a recent patent expiry. A further new business, Coagulation Analysis, will commence during 2009. The medium term prospects for the Diagnostic Division are therefore very positive.

Adverse Sterling/Euro and Sterling/US Dollar exchange rates significantly impacted the costs of goods in the year.

Risks and Uncertainties

The NHS remains by far the main customer for GUK. The new contracts for IVIG in England, Scotland, Ireland and Wales are all due to be renewed through 2009. Prices and service offerings within the contract will all have to be reviewed and could impact the volumes allocated and the success of the tenders submitted.

Continued weakness of Sterling against the Euro and US Dollar will impact the cost base of the product line. GUK and Grifols SA are taking measures to minimise this impact, however some adverse impact is inevitable.

Directors report *(continued)*

Key Performance Indicators

Total company sales 104% of Plan for 2008
Bioscience Division sales 106% of Plan for 2008
Diagnostic Division Sales 84% of Plan for 2008

Total Company Margins 92% of Plan for 2008
Bioscience Division Margins 94% of Plan for 2008
Diagnostic Division Margins 76% of Plan for 2008

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 year after taxation amounted to £663,000 (2007: £2,452,000). Dividends paid in the year amounted to £1,332,842 (2007: £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

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

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and KPMG LLP will therefore continue in office.

By order of the board


M Murray
Secretary

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 2008 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 2008 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

26th June 2009.

Profit and loss account
for the year ended 31 December 2008

	<i>Note</i>	2008	2007
		£000	£000
Turnover	2	28,479	24,029
Cost of sales		(23,434)	(17,231)
Gross profit		5,045	6,798
Distribution costs		(1,741)	(2,035)
Administrative expenses		(2,371)	(1,314)
Operating profit		933	3,449
Other interest receivable and similar income	6	12	96
Interest payable and similar charges	7	(17)	-
Profit on ordinary activities before taxation	3	928	3,545
Tax on profit on ordinary activities	8	(265)	(1,093)
Profit on ordinary activities after taxation		663	2,452
Profit for the financial year		663	2,452

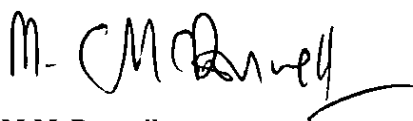
All profits arise from continuing operations.

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

Balance sheet
at 31 December 2008

	<i>Note</i>	2008 £000	2007 £000
Fixed assets			
Tangible assets	10	649	704
Current assets			
Stocks	11	5,803	3,363
Debtors	12	2,884	3,448
Cash at bank and in hand		4	412
		<u>8,691</u>	<u>7,223</u>
Creditors: amounts falling due within one year	13	<u>(5,604)</u>	<u>(3,521)</u>
Net current assets		<u>3,087</u>	<u>3,702</u>
Net assets		<u>3,736</u>	<u>4,406</u>
Capital and reserves			
Called up share capital	15	3	3
Share premium account	16	3,070	3,070
Profit and loss account	16	663	1,333
Shareholders' funds		<u>3,736</u>	<u>4,406</u>

These financial statements were approved by the board of directors on 15th June 2009 and were signed on its behalf by:



M McDonnell
Director

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2008

	2008 £000	2007 £000
Profit for the financial year	663	2,452
Dividends	(1,333)	(3,500)
	<hr/>	<hr/>
Net movement in shareholders' funds	(670)	(1,048)
Opening shareholders' funds	4,406	5,454
	<hr/>	<hr/>
Closing shareholders' funds	3,736	4,406
	<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 20.

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

	2008 £000	2007 £000
Directors' emoluments	312	347

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £312,000 (2007: £301,000).

Retirement benefits are accruing to the following number of directors under:

	2008	2007
Money purchase schemes	1	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	
	2008	2007
Distribution	24	26
Administration and research	11	11
	35	37

The aggregate payroll costs of these persons were as follows:

	2008 £000	2007 £000
Wages and salaries	1,767	1,832
Social security costs	220	228
Other pension costs (see note 19)	214	208
	2,201	2,268

6 Other interest receivable and similar income

	2008 £000	2007 £000
Interest on deposits	12	96

Notes (continued)

7 Interest payable and similar charges

	2008 £000	2007 £000
Other interest	17	-

8 Taxation

Analysis of charge in period

	£000	2008 £000	£000	2007 £000
<i>UK corporation tax</i>				
Current tax on income for the period		278		1,104
Adjustment in respect of prior years		(33)		(51)
Total current tax		245		1,053
<i>Deferred tax (see note 14)</i>				
Origination and reversal of timing differences	27		45	
Effect of decrease in tax rate	(1)		(5)	
Adjustment in respect of prior years	(6)		-	
		20		40
Tax on profit on ordinary activities		265		1,093

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2007: higher) than the standard rate of corporation tax in the UK of 28.5% (2007: 30%). The differences are explained below.

	2008 £000	2007 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	928	3,545
Current tax at 28.5% (2007: 30%)	264	1,064
<i>Effects of:</i>		
Expenses not (taxable)/deductible for tax purposes	41	(5)
Capital allowances for period less than/(in excess) of depreciation	(27)	45
Adjustment in respect of prior years	(33)	(51)
Total current tax charge (see above)	245	1,053

Notes (continued)

9 Dividends

The aggregate amount of dividends comprises:

	2008 £000	2007 £000
Final dividends paid in respect of prior year	1,333	2,380
Interim dividend paid in respect of current year	-	1,120
	<u>1,333</u>	<u>3,500</u>

The aggregate amount of dividends proposed, but not recognised as liabilities at the year end is £nil (2007: £nil).

10 Tangible fixed assets

	Leasehold land and buildings	Fixtures, fittings, plant and equipment £000	Motor vehicles £000	Total £000
Cost or valuation				
At beginning of year	467	1,039	16	1,522
Additions	-	104	3	107
Disposals	-	(11)	-	(11)
	<u>467</u>	<u>1,132</u>	<u>19</u>	<u>1,618</u>
Depreciation				
At beginning of year	23	783	12	818
Charge for year	47	112	2	161
Disposals	-	(10)	-	(10)
	<u>70</u>	<u>885</u>	<u>14</u>	<u>969</u>
Net book value				
At 31 December 2008	<u>397</u>	<u>247</u>	<u>5</u>	<u>649</u>
At 31 December 2007	<u>444</u>	<u>256</u>	<u>4</u>	<u>704</u>

11 Stocks

	2008 £000	2007 £000
Finished goods and goods for resale	<u>5,803</u>	<u>3,363</u>

Notes (continued)

12 Debtors

	2008 £000	2007 £000
Trade debtors	2,516	3,175
Amounts owed by group undertakings	-	1
Corporation tax	106	-
Other debtors	38	23
Prepayments and accrued income	170	175
Deferred tax asset (note 14)	54	74
	<u>2,884</u>	<u>3,448</u>

13 Creditors: amounts falling due within one year

	2008 £000	2007 £000
Bank overdraft	2,416	-
Trade creditors	363	282
Amounts owed to group undertakings	2,422	2,458
Corporation tax	-	318
Social security and other taxes	92	102
Accruals and deferred income	311	361
	<u>5,604</u>	<u>3,521</u>

The bank overdraft is secured by a company guarantee given by Grifols SA.

14 Deferred tax asset

	2008 £000	2007 £000
At beginning of year	74	34
Transferred to profit and loss account	(20)	40
	<u>54</u>	<u>74</u>

The elements of deferred taxation are as follows:

	2008 £000 Provided	2008 £000 Unprovided	2007 £000 Provided	2007 £000 Unprovided
Difference between accumulated depreciation and capital allowances	<u>54</u>	<u>-</u>	<u>74</u>	<u>-</u>

Notes (continued)

15 Called up share capital

	2008 £000	2007 £000
<i>Authorised</i>		
Ordinary shares of £1 each	3	3
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	3	3
	<hr/>	<hr/>

16 Share premium and reserves

	Share premium account £000	Profit and loss account £000
At beginning of year	3,070	1,333
Profit for the financial year	-	663
Dividends	-	(1,333)
	<hr/>	<hr/>
At end of year	3,070	663
	<hr/>	<hr/>

17 Contingent liabilities

No contingent liabilities existed at 31 December 2008 (2007: £nil).

18 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	2008 Other £000	Land and Buildings £000	2007 Other £000
Operating leases which expire:				
Within one year	-	14	-	20
In the second to fifth years inclusive	-	81	-	100
More than five years	238	-	189	-
	<hr/>	<hr/>	<hr/>	<hr/>
	238	95	189	120
	<hr/>	<hr/>	<hr/>	<hr/>

Notes *(continued)*

19 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 £214,000 (2007: £208,000).

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

20 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