

Grifols UK Limited

Directors' report and financial statements

Registered number 1456099

31 Dec 2010

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2010

Principal activities

The principal activity of the company is the sale and distribution of plasma derivatives, diagnostic instruments and reagents and transfusion medicine instruments and blood typing cards

Business review

Development and performance of the business in 2010

The Bioscience division posted 4.2% sales growth in 2010. The new Flebogamma Dif, a dual inactivated and filtered IVIG, first launched in the UK in 2009 showed volume growth of 2.4% from 2009. New business has been gained in what is a mature and increasingly price sensitive market, with the launch of the new 10% solution of Flebogamma Dif.

The Diagnostics division did not achieve any growth in 2010 in difficult market conditions. The division is looking to distribute new molecular products in 2011.

The transfusion division has gained new business in the year and a long term evaluation site for the launch of the new Erytra blood typing analyser.

We are confident that 2011 will be a good year with sales growth expected in all three divisions.

Risks and uncertainties

The NHS remains by far the main customer for Grifols UK. The NHS is facing the same stringent financial conditions as the rest of the public sector in the UK and elsewhere in Europe. There is a possibility that dosage levels for immuno-tolerisation patients may be reviewed and could lead to downward pressure on sales as volume requirements are revised. The next round of the national IVIG tender was awarded mid 2011, Grifols UK Ltd have been included in the IVIG framework agreement for 2011 with pricing and volumes anticipated to be the same as 2010. Government expenditure cuts will impact the NHS and make it difficult to increase prices.

The on-going fluctuations of Sterling against the Euro and the US Dollar will continue to impact the cost base of the product line. All reasonable measures between Grifols UK, Grifols S.A. (the ultimate parent company) and Grifols Inc. (a fellow subsidiary) are being reviewed to minimise the cost impact of foreign exchange on the business.

Key performance indicators

Total company sales 106% of plan for 2010	(105% 2009)
Bioscience division sales 109% of plan for 2010	(107% 2009)
Diagnostic division sales 77% of plan for 2010	(93% 2009)

Total company gross margins 117% of plan for 2010	(92% for 2009)
Bioscience division margins 121% of plan for 2010	(93% for 2009)
Diagnostic division margins 71% of plan for 2010	(88% for 2009)

Business is measured against a group agreed budget plan set annually. Margins are calculated before distribution costs and administration expenses but include the standard cost of products sold and all are appropriately allocated as costs of that sale.

The profit for the year after taxation amounted to £2,320,000 (2009 £1,973,000). Dividends paid in the year amounted to £1,700,000 (2009 £662,513).

Directors' report *(continued)*

Research and development

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

Directors

The directors who held office during the year were as follows

Mark McDonnell	(British)
Ramon Riera Roca	(Spanish)
Alfredo Arroyo Guerra	(Spanish)
Montse Lloveras Calvo	(Spanish)

Political and charitable contributions

The company made no political contributions or donations during the year and no such contributions or donations in 2009

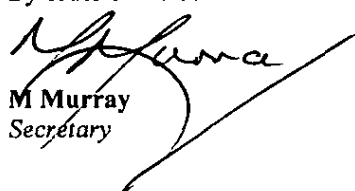
Statement of disclosure of information to auditors

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

26 August 2011

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)

Under company law the directors must not approve the financial statements unless they are satisfied that they 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, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.



Independent auditors' report to the members of Grifols UK Limited

We have audited the financial statements of Grifols UK Limited for the year ended 31 December 2010 set out on pages 6 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditors' 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

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of Grifols UK Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Mark Prince (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

37 Hills Road
Cambridge
CB2 1XL

Date 31 August 2011

Profit and loss account
for the year ended 31 December 2010

	<i>Note</i>	2010	2009
		£000	£000
Turnover	<i>2</i>	31,209	30,000
Cost of sales		(23,284)	(22,917)
Gross profit		7,925	7,083
Distribution costs		(1,908)	(1,927)
Administrative expenses		(2,608)	(2,350)
Operating profit		3,409	2,806
Other interest receivable and similar income	<i>6</i>	65	14
Interest payable and similar charges	<i>7</i>	(178)	(51)
Profit before taxation	<i>3</i>	3,296	2,769
Tax on profit on ordinary activities	<i>8</i>	(976)	(796)
Profit for the financial year	<i>16</i>	2,320	1,973

All profits arise from continuing operations

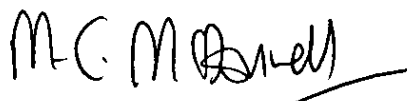
There were no recognised gains or losses other than the profit for the financial year

The notes on pages 9 to 16 form part of these financial statements

Balance sheet
at 31 December 2010

	Note	2010 £000	2009 £000
Fixed assets			
Tangible assets	10	752	886
Current assets			
Stocks	11	3,979	4,957
Debtors	12	3,019	2,878
Cash at bank and in hand		1,342	4
		<u>8,340</u>	<u>7,839</u>
Creditors amounts falling due within one year	13	<u>(3,426)</u>	<u>(3,679)</u>
Net current assets		<u>4,914</u>	<u>4,160</u>
Net assets		<u>5,666</u>	<u>5,046</u>
Capital and reserves			
Called up share capital	15	3	3
Share premium account	16	3,070	3,070
Profit and loss account	16	2,593	1,973
Shareholders' funds		<u>5,666</u>	<u>5,046</u>

These financial statements were approved by the board of directors on 26th August 2011 and were signed on its behalf by



M McDonnell

Director

Register number 1456099

The notes on pages 9 to 16 form part of these financial statements

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2010

	2010 £000	2009 £000
Profit for the financial year	2,320	1,973
Dividends	(1,700)	(663)
	<hr/>	<hr/>
Net movement in shareholders' funds	620	1,310
Opening shareholders' funds	5,046	3,736
	<hr/>	<hr/>
Closing shareholders' funds	5,666	5,046
	<hr/>	<hr/>

The notes on pages 9 to 16 form part of these financial statements

Notes to the financial statements

(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 FRS1, 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

Going Concern

The directors have considered the factors that impact the company's future development, performance, cash flows and financial position along with the company's current liquidity in forming their opinion on the going concern basis The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

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	-	20%

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

1 Accounting policies (continued)

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

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

Turnover

2 Analysis of turnover

3 Profit on ordinary activities before taxation

10

Notes to the financial statements (continued)

4 Remuneration of directors

	2010 £000	2009 £000
Directors' emoluments	295	33
Pension contributions	33	33
	<u>328</u>	<u>325</u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director were £328,000(2009 £325,000)

Retirement benefits are accruing to the following number of directors under

	2010	2009
Money purchase schemes	<u>1</u>	<u>1</u>

5 Staff numbers and costs

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

	Number of employees	
	2010	2009
Distribution	25	25
Administration and research	11	11
	<u>36</u>	<u>36</u>

The aggregate payroll costs of these persons were as follows

	2010 £000	2009 £000
Wages and salaries	1,933	1,925
Social security costs	216	242
Other pension costs (see note 19)	230	222
	<u>2,379</u>	<u>2,389</u>

6 Other interest receivable and similar income

	2010 £000	2009 £000
Interest on deposits	<u>65</u>	<u>14</u>

Notes to the financial statements (continued)

7 Interest payable and similar charges

	2010 £000	2009 £000
Interest on amounts owed to fellow group undertaking	178	51

8 Taxation

Analysis of charge in the year

	£000	2010 £000	2009 £000
<i>UK corporation tax</i>			
Current tax on income for the year		970	750
Total current tax		970	750
<i>Deferred tax (see note 14)</i>			
Origination and reversal of timing differences	6	46	
		6	46
Tax on profit on ordinary activities		976	796

Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2009 lower) than the standard rate of corporation tax in the UK of 28% (2009 28%). The differences are explained below

	2010 £000	2009 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	3,296	2,769
Current tax at 28% (2009 28%)	923	775
<i>Effects of</i>		
Expenses not (taxable)/deductible for tax purposes	41	11
Capital allowances for the year less than/(in excess) of depreciation	6	(36)
Total current tax charge (see above)	970	750

Notes to the financial statements (continued)

9 Dividends

The aggregate amount of dividends comprises

	2010 £000	2009 £000
Final dividends paid in respect of prior year	1,700	663
	<u>1,700</u>	<u>663</u>

The aggregate amount of dividends proposed, but not recognised as liabilities at the year end is £nil (2009 £nil)

10 Tangible fixed assets

	Leasehold land and buildings £000	Fixtures, fittings, plant and equipment £000	Motor Vehicles £000	Total £000
Cost or valuation				
At beginning of year	473	1,501	3	1,977
Additions	18	115	-	133
Disposals	-	(51)	(3)	(54)
At end of year	<u>491</u>	<u>1,565</u>	<u>-</u>	<u>2,056</u>
Depreciation				
At beginning of year	117	974	-	1,091
Charge for year	49	183	-	232
Disposals	-	(17)	-	(19)
At end of year	<u>166</u>	<u>1,140</u>	<u>-</u>	<u>1,306</u>
Net book value				
At 31 December 2010	<u>325</u>	<u>425</u>	<u>-</u>	<u>750</u>
At 31 December 2009	<u>356</u>	<u>527</u>	<u>-</u>	<u>883</u>

11 Stocks

	2010 £000	2009 £000
Finished goods and goods for resale	<u>3,979</u>	<u>4,957</u>

Notes to the financial statements (continued)

12 Debtors

	2010 £000	2009 £000
Trade debtors	2,731	2,660
Amounts owed by group undertakings	61	8
Other debtors	34	25
Prepayments and accrued income	191	177
Deferred tax asset (<i>note 14</i>)	2	8
	<u>3,019</u>	<u>2,878</u>

13 Creditors amounts falling due within one year

	2010 £000	2009 £000
Bank overdraft	-	263
Trade creditors	345	375
Amounts owed to group undertakings	2,102	2,153
Corporation tax	503	428
Social security and other taxes	107	91
Accruals and deferred income	369	369
	<u>3,426</u>	<u>3,679</u>

The bank overdraft is secured by a company guarantee given by Grifols SA, the ultimate parent company

14 Deferred tax asset

	2010 £000	2010 £000
At beginning of year	8	54
Charged to the profit and loss account	(6)	(46)
	<u>2</u>	<u>8</u>

The elements of deferred taxation are as follows

	2010 £000	2009 £000
Difference between accumulated depreciation and capital allowances	2	8

Notes to the financial statements (continued)

15 Called up share capital

	2010 £000	2009 £000
<i>Authorised</i>		
3,000 Ordinary shares of £1 each	3	3
<i>Allotted, called up and fully paid</i>		
3,000 Ordinary shares of £1 each	3	3

16 Share premium and reserves

	Share premium account £000	Profit and loss account £000
At beginning of year	3,070	1,973
Profit for the financial year	-	2,320
Dividends	-	(1,700)
	<u>3,070</u>	<u>2,593</u>

17 Contingent liabilities

No contingent liabilities existed at 31 December 2010 (2009 £nil)

18 Commitments

(a) There were no capital commitments at the end of the financial year for which no provision has been made (2009 £nil)

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

	2010		2009	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire				
Within one year	279	22	279	31
In the second to fifth years inclusive	1,485	231	1,485	166
More than five years	20	-	316	-
	<u>1,784</u>	<u>253</u>	<u>2,080</u>	<u>197</u>

Notes to the financial statements (continued)

19 Pension scheme

The company operates a defined contribution pension scheme. The pension charge for the year represents contributions payable by the company to the fund and amounted to £230,427 (2009 £222,005)

There were no outstanding or prepaid contributions at either the beginning or end of the financial year (2009 nil)

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

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08150 Parets del Valles
Barcelona
Spain