

Grifols UK Limited

Directors' report and financial statements

Registered number 1456099

31 December 2012

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2012

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 2012

The Bioscience division posted 3.1% sales increase in 2012. Flebogamma Dif, a dual inactivated and filtered IVIG, first launched in the UK in 2009 showed volume growth. New business has been gained in what is a mature and increasingly price sensitive market.

The Diagnostics division achieved 20% growth in 2012. Existing diagnostic kit business has held up well showing 5.7% growth. The Transfusion division has achieved significant growth of 134.9% as several commercial placements for the Erytra Blood Typing Analyser are now operational.

Economic constraints in the NHS will make growth difficult in 2013, but we do expect some growth particularly in the Diagnostic division.

Risks and uncertainties

Grifols UK Limited has one main customer, the NHS. Whilst the NHS will be especially careful with its spending in the current economic climate, it is committed to continuing established effective treatments for chronic diseases, an area where Grifols UK Limited has been a long-term supplier. 2012 has seen the emergence of the new business in blood typing solutions (Transfusion) and the new business has shown significant growth through 2012 which will continue through 2013.

From the vantage point of 2013, we can say for intravenous immunoglobulin that new contracts have been awarded as Grifols is the best tolerated products in the market, we anticipate keeping much of the existing business despite price competition.

Key performance indicators

Total company sales	93% of plan for 2012	(100% for 2011)
Bioscience division sales	97% of plan for 2012	(103% for 2011)
Diagnostics division sales	59% of plan for 2012	(89% for 2011)
Total company gross margins	91.4% of plan for 2012	(88.9% for 2011)
Bioscience division margins	99.1% of plan for 2012	(90.3% for 2011)
Diagnostics division margins	67.0% of plan for 2012	(87.1% for 2011)

Business is measured against a group agreed budget plan set annually. Margins are calculated before distribution costs and administrative 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 £1,276,000 (2011 £1,442,000). Dividends paid in the year amounted to £nil (2011 £nil).

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)
Montserrat Lloveras Calvo	(Spanish)

Political and charitable contributions

The company made no political contributions or donations during the year (2011 £nil)

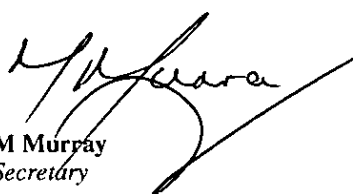
Statement of disclosure of information to auditor

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 auditor is unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor 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

Date 25 September 2013

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 auditor's report to the members of Grifols UK Limited

We have audited the financial statements of Grifols UK Limited for the year ended 31 December 2012 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 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

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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2012 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 year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Grifols UK Limited *(continued)*

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

Botanic House
100 Hills Road
Cambridge
CB2 1AR

Date *30 September 2013*

Profit and loss account
for the year ended 31 December 2012

	<i>Note</i>	2012	2011
		£000	£000
Turnover	2	32,249	30,938
Cost of sales		(26,055)	(24,822)
		<hr/>	<hr/>
Gross profit		6,194	6,116
Distribution costs		(2,388)	(2,173)
Administrative expenses		(1,971)	(1,884)
		<hr/>	<hr/>
Operating profit		1,835	2,059
Interest payable and similar charges	6	(63)	(74)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	3	1,772	1,985
Tax on profit on ordinary activities	7	(496)	(543)
		<hr/>	<hr/>
Profit for the financial year	15	1,276	1,442
		<hr/>	<hr/>

All profits arise from continuing operations

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

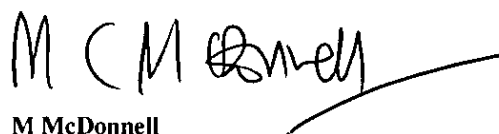
There is no material difference between the company's results as reported and on a historical cost basis

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

Balance sheet
at 31 December 2012

	<i>Note</i>	2012 £000	2012 £000	2011 £000	2011 £000
Fixed assets					
Tangible assets	9		1,242		1,144
			<u>1,242</u>		<u>1,144</u>
Current assets					
Stocks	10	7,221		8,748	
Debtors	11	3,086		2,812	
Cash at bank and in hand		4		-	
		<u>10,311</u>		<u>11,560</u>	
Creditors: amounts falling due within one year	12	(3,169)		(5,596)	
		<u></u>		<u></u>	
Net current assets			7,142		5,964
			<u></u>		<u></u>
Net assets			8,384		7,108
			<u></u>		<u></u>
Capital and reserves					
Called up share capital	14		3		3
Share premium account	15		3,070		3,070
Profit and loss account	15		5,311		4,035
			<u>8,384</u>		<u>7,108</u>
Shareholders' funds			8,384		7,108
			<u></u>		<u></u>

These financial statements were approved by the board of directors on 25/9/2013 and were signed on its behalf by



M McDonnell

Director

Registered 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 2012

	2012 £000	2011 £000
Profit for the financial year	1,276	1,442
Net movement in shareholders' funds	1,276	1,442
Opening shareholders' funds	7,108	5,666
Closing shareholders' funds	8,384	7,108

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 other wholly owned 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

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%
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

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 to the financial statements (*continued*)

1 Accounting policies (*continued*)

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

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers. Revenue for goods sold is recognised at the point of despatch. Revenue for service agreements is recognised over the term of the agreement.

2 Analysis of turnover

	2012 £000	2011 £000
United Kingdom	32,249	30,938
	<u>32,249</u>	<u>30,938</u>

3 Profit on ordinary activities before taxation

	2012 £000	2011 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting)</i>		
Auditors' remuneration		
Audit of these financial statements pursuant to legislation	27	25
Other services relating to taxation	10	10
Other services pursuant to such legislation	-	23
Depreciation of tangible fixed assets	337	321
Impairment of tangible fixed assets	159	-
Rentals payable under operating leases		
- other	283	312
- plant and machinery	214	192
Net foreign exchange (gain)	(188)	(136)
	<u></u>	<u></u>

Notes to the financial statements (*continued*)

4 Remuneration of directors

	2012 £000	2011 £000
Directors' emoluments	304	303
Pension contributions	35	34
	<u>339</u>	<u>337</u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director were £338,593 (2011 £336,878)

Retirement benefits are accruing to the following number of directors under

	2012	2011
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	
	2012	2011
Distribution	28	27
Administration and research	11	11
	<u>39</u>	<u>38</u>

The aggregate payroll costs of these persons were as follows

	2012 £000	2011 £000
Wages and salaries	2,127	1,990
Social security costs	274	233
Other pension costs (<i>see note 18</i>)	288	257
	<u>2,689</u>	<u>2,480</u>

Notes to the financial statements (*continued*)

6 Interest payable and similar charges

	2012 £000	2011 £000
Interest on amounts owed to fellow group undertakings	63	74

7 Taxation

Analysis of charge in the year

	2012 £000	2012 £000	2011 £000	2011 £000
<i>UK corporation tax</i>				
Current tax on income for the year		501		542
Total current tax		501		542
<i>Deferred tax (see note 13)</i>				
Origination and reversal of timing differences	(5)		1	
		(5)		1
Tax on profit on ordinary activities		496		543

Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2010 higher) than the standard rate of corporation tax in the UK of 24.5% (2011 26.5%). The differences are explained below

	2012 £000	2011 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	1,772	1,985
Current tax at 24.5% (2011 26.5%)	434	526
<i>Effects of</i>		
Expenses not deductible for tax purposes	22	24
Capital allowances for the year less than/(in excess of) depreciation	45	(8)
Total current tax charge (see above)	501	542

Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly and reduce the deferred tax asset at 31 December 2012 (which has been calculated based on the rate of 23% substantively enacted at the balance sheet date).

Notes to the financial statements (continued)

8 Dividends

The aggregate amount of dividends comprises

	2012 £000	2011 £000
Final dividends paid in respect of prior year	-	-

The aggregate amount of dividends proposed, but not recognised as liabilities at the year end is £nil (2011 £nil)

9 Tangible fixed assets

	Leasehold land and buildings £000	Fixtures, fittings, plant and equipment £000	Total £000
Cost or valuation			
At beginning of year	495	2,204	2,699
Additions	37	562	599
Disposals	-	(90)	(90)
At end of year	532	2,676	3,208
Depreciation			
At beginning of year	215	1,340	1,555
Charge for year	51	286	337
Impairment	-	159	159
Disposals	-	(85)	(85)
At end of year	266	1,700	1,966
Net book value			
At 31 December 2012	266	976	1,242
At 31 December 2011	280	864	1,144

10 Stocks

	2012 £000	2011 £000
Finished goods and goods for resale	7,221	8,748

Notes to the financial statements (continued)

11 Debtors

	2012 £000	2011 £000
Trade debtors	2,875	2,576
Amounts owed by group undertakings	4	2
Other debtors	6	31
Prepayments and accrued income	195	202
Deferred tax asset (note 13)	6	1
	<u>3,086</u>	<u>2,812</u>

12 Creditors: amounts falling due within one year

	2012 £000	2011 £000
Bank overdraft	718	2,726
Trade creditors	369	399
Amounts owed to group undertakings	1,307	1,666
Corporation tax	131	207
Social security and other taxes	219	187
Accruals and deferred income	425	410
	<u>3,169</u>	<u>5,596</u>

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

13 Deferred tax asset

	2012 £000	2011 £000
At beginning of year	1	2
Credited/(charged) to the profit and loss account	5	(1)
	<u>6</u>	<u>1</u>

The elements of deferred taxation are as follows

	2012 £000	2011 £000
Difference between accumulated depreciation and capital allowances	6	1

Notes to the financial statements (*continued*)

14 Called up share capital

	2012 £000	2011 £000
Authorised		
3,000 ordinary shares of £1 each (2011 3,000)	3	3
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
3 000 ordinary shares of £1 each (2011 3,000)	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	4,035
Profit for the financial year	-	1,276
	<u> </u>	<u> </u>
At end of the year	3,070	5,311
	<u> </u>	<u> </u>

16 Contingent liabilities

No contingent liabilities existed at 31 December 2012 (2011 £nil)

17 Commitments

(a) There were no capital commitments at the end of the financial year for which no provision has been made (2011 £nil)

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

	2012		2011	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire				
Within one year	-	29	-	2
In the second to fifth years inclusive	282	145	-	157
More than five years	-	-	278	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	282	174	278	159
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Notes to the financial statements (*continued*)

18 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 £288,343 (2011 £256,809)

There were no outstanding or prepaid contributions at either the beginning or end of the financial year (2011 nil)

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

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08150 Parets del Valles
Barcelona
Spain