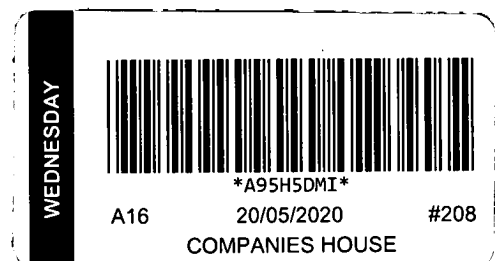


Grifols UK Limited

Annual report and financial statements

Registered number 1456099

31 December 2019



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## Strategic report

The directors present their Strategic report, Directors report and the audited financial statements for the year ended 31 December 2019.

### Principal activities

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

### Development and Performance of the Business in 2019

The Bioscience Division posted sales that were up 6.6% on 2018. Intravenous Immunoglobulin (IVIG) sales were up 11% year on year. Supply challenges preventing selling to full NHS allocation have been offset by increases in average selling prices.

Coagulation sales are down 67%, at £1.2m in 2019, this is the continuing price pressure from recombinant FVIII and price reductions initiated in 2018 have still to deliver anticipated increases in volumes.

The Diagnostic Division business has grown 8% in the year. Blood Typing solutions business has grown 13%, with continuing new customer sales in the year. Clinical Diagnostic Sales has fallen 7% in the year, there continues to be pressure on Sales from laboratories looking to automate and move to track based systems. The UK Blood donor Systems business has grown 21% in the year to £937k with full year testing in all 4 UK countries.

Rental rather than purchase of capital equipment, continues to be a grow going forward, particularly with NHS customers.

Albumin sales increased 36% (£1.5m), despite supply challenges throughout the year.

### Risks and uncertainties

Grifols UK Limited has one main customer, the NHS. The NHS continues to be very careful with its spending, and as a consequence Grifols UK Ltd finds itself under continuing pressure to reduce prices across the product range.

Laboratory automation is a growing requirement within the NHS and will continue to represent a challenge to the Diagnostic Division going forward as moving to track based systems increases.

Grifols UK Ltd have reviewed the business impact of Brexit and currently Grifols UK has a robust Business Continuity Management System in place. The System, which consists of Plans and SOPs, is audited and certified by LRQA to ISO 22301. In the Event of a no-deal Brexit, the system would be invoked.

Company's activity has not been materially impacted and it is not expected to be significantly impacted by COVID-19. Our products are considered lifesaving and have been identified as a strategic industry and therefore prevented from being suspended.

The full extent, consequences, and duration of the COVID-19 pandemic and the resulting operational and financial impact on the Company is uncertain at the time of publication of this Annual Report and as a result the Company has reviewed its trading and cashflow forecasts for a period of at least 12 months from the date of approval of these financial statements. In this analysis, Management has modelled severe but plausible downside scenarios that could impact the business and has also satisfied itself that the level of liquidity resources available at the parent company level are sufficient to continue to support Grifols UK and will enable it to settle its liabilities as they fall due for this time period. The Company will continue to evaluate the impact that these events could have on the financial position, and the results of operations and cash flows during fiscal year 2020.

## Strategic report (continued)

### Key performance indicators:

Total company sales:	99% of plan for 2019	(114%: for 2018)
Bioscience division sales:	99% of plan for 2019	(116%: for 2018)
Diagnostic division sales:	104% of plan for 2019	(100%: for 2018)
Total company gross margins:	107% of plan for 2019	(96%: for 2018)
Bioscience division margins:	101% of plan for 2019	(96%: for 2018)
Diagnostic division margins:	121% of plan for 2019	(86%: for 2018)

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 £956,951 (2018: £290,395). There were no dividends paid in the year (2018: £Nil).

M Murray  
Secretary



11 Bedford Row  
London  
WC1R 4BZ

Date: 13<sup>th</sup> May 2020

## Directors' report

### Results and dividend

The statement of comprehensive income is set out on page 7.

There were no dividends paid in the year (2018: £nil).

### 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:

Alfredo Arroyo Guerra	(Spanish)
Montserrat Lloveras Calvo	(Spanish)
Paula Karen Blackmore	(British)
Miguel Pascual Montblanch	(Spanish)

### Political and charitable contributions

The company made no political contributions or donations during the year (2018: £nil).

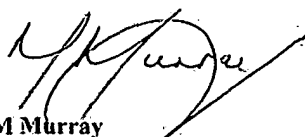
### Statement of disclosure of information to auditor

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: 13<sup>th</sup> May 2020

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the Strategic Report, 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 International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

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 judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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**

### **Opinion**

We have audited the financial statements of Grifols UK Limited ("the company") for the year ended 31 December 2019 which comprise the Statement of comprehensive income, Statement of financial position, Statement of changes in equity, Cash flow statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### **Matters on which we are required to report by exception**

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

#### **Directors' responsibilities**

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

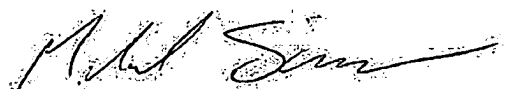
#### **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

#### **The purpose of our audit work and to whom we owe our responsibilities**

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.



**Michael Scrivener (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
Botanic House  
100 Hills Road  
Cambridge  
CB2 1AR

13<sup>th</sup> May 2020



**Statement of comprehensive income**  
*for the year ended 31 December 2019*

	Note	2019	2018
		£000	£000
<b>Revenue</b>	<b>2</b>	<b>51,729</b>	<b>47,778</b>
Cost of sales		(43,319)	(41,421)
<b>Gross profit</b>		<b>8,410</b>	<b>6,357</b>
Distribution expenses		(627)	(557)
Administrative expenses		(6,497)	(5,520)
<b>Operating profit</b>	<b>3</b>	<b>1,286</b>	<b>280</b>
Financial income	6	113	97
Financial expenses	6	(45)	(30)
<b>Net financing result</b>	<b>6</b>	<b>68</b>	<b>67</b>
<b>Profit before tax</b>		<b>1,354</b>	<b>347</b>
Taxation	7	(397)	(57)
<b>Profit for the year</b>		<b>957</b>	<b>290</b>

All amounts relate to continuing operations.

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

The total comprehensive income for the year is the same as the profit for the year.

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

The notes on pages 11 to 28 form part of these financial statements.

**Statement of financial position**  
*at 31 December 2019*

	Note	2019 £000	2019 £000	2018 £000	2018 £000
<b>Non-current assets</b>					
Rights of use	8		837		-
Property, plant and equipment	9		1,938		1,636
			<u>2,775</u>		<u>1,636</u>
<b>Current assets</b>					
Inventories	10	318		344	
Trade and other receivables	11	8,283		8,790	
Cash and cash equivalents	12	348		460	
		<u>8,949</u>		<u>9,594</u>	
<b>Current liabilities</b>					
Trade and other payables	13	(4,449)		(6,275)	
Accruals and deferred income	13	(961)		(792)	
Other financial liabilities	13	(280)		(57)	
Current lease liabilities	8 & 13	(409)		-	
		<u>(5,100)</u>		<u>(7,124)</u>	
<b>Net current assets</b>			<u>2,850</u>		<u>2,470</u>
<b>Total assets less current liabilities</b>			<u>5,625</u>		<u>4,106</u>
<b>Non-current liabilities</b>					
Provisions	14		(113)		(53)
Non-current lease liabilities	8		(435)		-
			<u>(548)</u>		<u>(53)</u>
<b>Net assets</b>			<u>5,077</u>		<u>4,053</u>
<b>Capital and reserves</b>					
Share capital	15		3		3
Share premium			3,070		3,070
Retained earnings			1,937		980
Shareholders contribution			67		-
			<u>5,077</u>		<u>4,053</u>
<b>Shareholders' funds</b>			<u>5,077</u>		<u>4,053</u>

The notes on pages 11 to 28 form part of these financial statements.

These financial statements were approved by the board of directors on 13<sup>th</sup> May 2020 and were signed on its behalf by:



**P Blackmore**

*Director*

Registered number: 1456099

**Statement of changes in equity**  
*for the year ended 31 December 2019*

	Share capital £000	Share premium £000	Retained earnings £000	Shareholders contributions £000	Total equity £000
Balance as at 1 January 2018	3	3,070	690	-	3,763
<b>Total comprehensive income</b>					
Profit	-	-	290	-	290
<b>Transactions with owners</b>					
Balance as at 31 December 2018	3	3,070	980	-	4,053
<b>Balance as at 1 January 2019</b>	<b>3</b>	<b>3,070</b>	<b>980</b>	<b>-</b>	<b>4,053</b>
<b>Total comprehensive income</b>					
Profit	-	-	957	-	957
<b>Transactions with owners</b>					
Others	-	-	-	67	67
<b>Balance as at 31 December 2019</b>	<b>3</b>	<b>3,070</b>	<b>1,937</b>	<b>67</b>	<b>5,077</b>

The notes on pages 11 to 28 form part of these financial statements.

**Cash Flow Statement**  
*for the year ended 31 December 2019*

	<i>Note</i>	<b>2019</b> <b>£000</b>	<b>2018</b> <b>£000</b>
<b>Cash flows from operating activities</b>			
Profit for the year		<b>957</b>	<b>290</b>
<i>Adjustments for:</i>			
Tax		<b>397</b>	<b>57</b>
Depreciation, amortisation and impairment	<i>8 &amp; 9</i>	<b>905</b>	<b>532</b>
Foreign exchange (profit)/loss		<b>(38)</b>	<b>1</b>
Financial income	<i>6</i>	<b>(113)</b>	<b>(97)</b>
Financial expense	<i>6</i>	<b>45</b>	<b>30</b>
Loss on sale of equipment	<i>9</i>	<b>5</b>	<b>-</b>
Decrease/(increase) in trade and other receivables	<i>11</i>	<b>2,424</b>	<b>(1,875)</b>
Decrease in inventories	<i>10</i>	<b>26</b>	<b>20</b>
(Decrease)/increase in trade and other payables	<i>13</i>	<b>(1,588)</b>	<b>2,202</b>
Tax paid		<b>(110)</b>	<b>(177)</b>
<b>Net cash from operating activities</b>		<b>2,910</b>	<b>983</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	<i>9</i>	<b>(821)</b>	<b>(514)</b>
<b>Net cash from investing activities</b>		<b>(821)</b>	<b>(514)</b>
<b>Cash flows from financing activities</b>			
Interest Received	<i>6</i>	<b>113</b>	<b>97</b>
Interest Paid	<i>6</i>	<b>(45)</b>	<b>(30)</b>
Debt with group companies		<b>(1,885)</b>	<b>(52)</b>
Debt with external parties	<i>8</i>	<b>(384)</b>	<b>(25)</b>
<b>Net cash from financing activities</b>		<b>(2,201)</b>	<b>(10)</b>
Net (decrease)/increase in cash and cash equivalents		<b>(112)</b>	<b>459</b>
Cash and cash equivalents at beginning of year		<b>460</b>	<b>1</b>
<b>Cash and cash equivalents at end of year</b>		<b>348</b>	<b>460</b>

The notes on pages 11 to 28 form part of these financial statements.

## Notes to the financial statements for the year ended 31 December 2019

*(forming part of the financial statements)*

### 1. Accounting policies

Grifols UK Ltd (the "Company") is a private company limited by shares which is incorporated, domiciled and registered in England in the UK. The registered number is 1456099 and the registered address is 1 Bedford Row, London, WC1R 4BZ, England. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements of Grifols UK Ltd.

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union, Interpretations issued by the International Financial Reporting Interpretations Committee and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements are prepared under the historical cost convention. The financial statements are presented in GBP sterling, which is the Company's functional currency.

#### *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, including managing its day to day working capital through a cash pooling arrangement with group companies, in forming their opinion on the going concern basis. Additionally, the directors do not expect the Company's activity to be significantly impacted by COVID-19, since the Company's products are considered lifesaving and have been identified as a strategic industry and therefore prevented from being suspended.

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of severe but reasonably possible and plausible downsides, the company will have sufficient funds, through funding from its ultimate parent company, Grifols S.A. to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Grifols S.A. providing additional financial support during that period. Grifols S.A. has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts including such funds in any instance required as a result of the COVID-19 virus pandemic. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

#### *Property, plant and equipment*

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 fixtures	-	10%
Furniture, fittings, and computer equipment	-	10% - 25%
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. Operating lease rentals are out of scope of IFRS 16 when the lease term is 12 months or less and/or the underlying asset has low value.

## Notes to the financial statements *(continued)*

### 1. Accounting policies *(continued)*

#### *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.

#### *Inventories*

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

#### *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. Other income is the recharge to Parent Company for services provided operating a UK Warehouse for Group stock items and UK based personnel working for Group affiliates.

#### *Provisions*

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

#### *Non-derivative financial instruments*

Non-derivative financial instruments comprise debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

#### *Trade and other receivables*

Trade and other receivables are recognised initially at fair value less transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

#### *Trade and other payables*

Trade and other payables are recognised initially at fair value plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

#### *Taxation*

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

## Notes to the financial statements (continued)

### 1. Accounting policies (continued)

#### Change in accounting policy

In these financial statements, the Company has changed its accounting policies in the following areas:

#### i. IFRS 16: Leases

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. The application is required for annual periods beginning on or after 1 January 2019.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the substance of transactions involving the legal form of a lease.

The Company adopted IFRS 16 for the first time on 1 January 2019 but has not restated comparative figures for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet at 1 January 2019.

On 1 January 2019 there was no impact in equity due to the IFRS 16 application.

The main policies, estimates and criteria for the application of IFRS 16 are as follows:

- Scope: IFRS 16 evaluation considers all the contracts in which the Company acts as lessee.
- Transition approach: the Company has opted to implement IFRS 16 using the modified retrospective approach, whereby the right-of-use asset is measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. When applying this modified retrospective approach, the Company does not re-express the comparative information.
- Discount rates: under IFRS 16, a lessee shall discount the future lease payments using the interest rate implicit in the lease if that rate can be readily determined. Otherwise, the lessee shall use the incremental borrowing rate. The Company uses the incremental borrowing rate. This is the rate that a lessee would have to pay at the commencement date of the lease for a loan over a similar term, and with similar security, to obtain an asset of a similar value to the right-of-use asset.
- The lease term: it is the non-cancellable period considering the initial term of each contract unless Grifols has a unilateral extension or termination option and there is reasonable certainty that this option will be exercised, in which case the corresponding extension term or early termination will be considered.

The Company leases several buildings, warehouses and vehicles. Leases agreements are usually made for fixed periods, as shown below:

	<u>Average lease term</u>
Buildings and warehouses	5 years
Vehicles	4 years

The lease terms of the agreements are negotiated on an individual basis and contain a wide range of terms and conditions.

- Accounting policies applied during transition: the Company has employed the following practical expedients when applying the simplified method to leases previously carried as operating leases under IAS 17 Leases:
  - Non-application of IFRS 16 to agreements that were not previously deemed to contain a lease under IAS 17 and IFRIC 4 “Determining whether an arrangement contains a lease”.
  - Exclusion of the initial direct costs from the measurement of the right-of-use asset on the date of first-time adoption.
  - Exclusion of leases that expire within 12 months as from the date of first-time adoption.
  - Exclusion of leases in which the underlying asset has a low value.

## Notes to the financial statements *(continued)*

### 1. Accounting policies *(continued)*

#### *Future developments*

The Company has applied as from 1 January 2019, the following new accounting standards:

IFRS 16

Standards issued but not effective in 2019:

IAS 1 and IAS 8 definition of material.

Amendments to references to the Conceptual Framework in IFRS Standards.

Amendment to IFRS 3: Business combinations.

IFRS 7, IFRS 9 and IAS 39 interest rate benchmark reform.

IFRS 17 insurance contracts.

The Directors intend to adopt these standards, where relevant and applicable, in the first accounting period after their effective date, but do not anticipate that they will have a material effect on the financial statements in the period of their initial application.

#### *Significant judgements and estimates*

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets and liabilities affected in further periods. The Directors do not believe there are any significant judgements or estimates included in these financial statements.



## Notes to the financial statements (continued)

### 2. Revenue

A geographical analysis of revenue for the year ended is given below:

	2019 £000	2018 £000
United Kingdom	49,596	47,330
Other	2,133	448
	<u>51,729</u>	<u>47,778</u>

### 3. Results from operating activities

	2019 £000	2018 £000
<i>Results from operating activities</i>		
The result from operating activities is stated after charging:		
Auditors' remuneration:		
Audit of these financial statements	40	32
Audit related assurance services	12	-
Depreciation of tangible fixed assets	905	532
Rentals payable under operating leases		
Land and buildings	-	380
Other	122	281
Net foreign exchange profit or loss	(38)	1
	<u></u>	<u></u>

### 4. Remuneration of directors

	2019 £000	2018 £000
Directors' emoluments	181	159
Pension contributions	27	20
	<u>210</u>	<u>179</u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director were £210k (2018: £179k).

The number of directors to whom retirement benefits are accruing under such schemes in respect of qualifying services is one (2018: one).

Directors' emoluments for the three non-UK based directors have been borne by other group companies. Those directors are also directors of other entities in the Grifols Group. The directors' services to the company do not occupy a significant amount of their time. As such, the directors do not consider that they have received a remuneration for their incidental services to the company for the periods ended 31 December 2019 and 31 December 2018.

## Notes to the financial statements *(continued)*

### 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	
	2019	2018
Distribution	33	29
Administration and research	21	21
	<u>54</u>	<u>50</u>

The aggregate payroll costs of these persons were as follows:

	2019	2018
	£000	£000
Wages and salaries	3,907	3,433
Social security costs	529	448
Other pension costs <i>(see note 18)</i>	524	507
	<u>4,960</u>	<u>4,388</u>

### 6. Finance costs and income

	2019	2018
	£000	£000
Interest income - bank accounts and group loans	113	97
Interest expense - bank accounts and group loans	(20)	(30)
Lease expense <i>(see note 8)</i>	(25)	-
	<u>68</u>	<u>67</u>

## Notes to the financial statements *(continued)*

### 7. Taxation

Analysis of tax expense in the year

	2019 £000	2018 £000
<b>Current tax</b>		
UK Corporation tax on profit for the year	270	84
Adjustments in respect of prior periods	72	(35)
Others	(5)	-
Total current tax	337	49
<b>Deferred tax <i>(see note 14)</i></b>		
Origination and reversal of timing differences	60	8
Total deferred tax	60	8
Tax on profit (see below)	397	57

#### *Factors affecting the tax charge for the current year*

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (2018: *higher*) of 19% (2018: 19%). The differences are explained below.

	2019 £000	2018 £000
<b>Tax reconciliation</b>		
Profit before tax	1,354	347
Tax using the UK Corporation tax rate of 19% (2018: 19%)	257	66
<b>Effects of:</b>		
Expenses not deductible for tax purposes	73	26
Adjustments in respect of prior periods	72	(35)
Others	(5)	-
Total tax charge (see above)	397	57

#### *Factors that may affect future tax charges*

The current UK corporate tax rate that has been used for the period is 19% (2018: 19%).

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016 and the UK deferred tax asset as at 27 September 2019 has been calculated on this rate. In the 11 March 2020 Budget it was announced that the UK tax rate will remain at 19% and not reduce to 17% from 1 April 2020. This will have a consequential effect on the company's tax charge. If this rate had been substantively enacted at the current balance sheet date the deferred tax liability would have increased by £5.002.

## Notes to the financial statements (continued)

### 8. Leases

#### Leases as a lessee

##### (a) Right-of-use assets

	Land and buildings	Vehicles	Total
	£000	£000	£000
<i>Cost or valuation</i>			
At 1 January 2019	845	192	1,037
Additions	-	191	191
<b>At 31 December 2019</b>	<b>845</b>	<b>383</b>	<b>1,228</b>
<i>Depreciation</i>			
At 1 January 2019	-	-	-
Charge for year	276	115	391
<b>At 31 December 2019</b>	<b>276</b>	<b>115</b>	<b>391</b>
<i>Net book value</i>			
<b>At 31 December 2019</b>	<b>569</b>	<b>268</b>	<b>837</b>

The Company leases an office building, several warehouses and vehicles. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability.

##### (b) Lease liabilities

	2019 £000
Non-current lease liabilities	435
Current lease liabilities	409
	<b>844</b>

##### (c) Amounts recognised in profit or loss

###### 2019 - Leases under IFRS16

Right-of-use depreciation	391
Interest on lease liabilities	25
	<b>416</b>
<b>2018 – Operating leases under IAS17</b>	
Lease expense	380
	<b>380</b>

##### (d) Amounts recognised in Cash flow statement

	2019 £000
Total cash outflow for leases	384
	<b>384</b>

## Notes to the financial statements (continued)

### 9. Tangible fixed assets

	Warehouse fixtures	Furniture, fittings and computer equipment	Equipment on loan	Total
	£000	£000	£000	£000
<i>Cost or valuation</i>				
At 1 January 2018	785	523	3,976	5,284
Additions	34	94	386	514
Disposals	-	(97)	(129)	(226)
At 31 December 2018	819	520	4,233	5,572
At 1 January 2019	819	520	4,233	5,572
Additions	11	115	695	821
Disposals	-	(17)	(54)	(71)
Transfers	-	(16)	16	-
At 31 December 2019	830	602	4,890	6,322
<i>Depreciation</i>				
At 1 January 2018	540	307	2,742	3,589
Charge for year	37	58	437	532
Disposals	-	(87)	(98)	(185)
At 31 December 2018	577	278	3,081	3,936
At 1 January 2019	577	278	3,081	3,936
Charge for year	37	76	401	514
Disposals	-	(16)	(50)	(66)
At 31 December 2019	614	338	3,432	4,384
<i>Net book value</i>				
At 31 December 2019	216	264	1,458	1,938
At 31 December 2018	242	242	1,152	1,636

## Notes to the financial statements *(continued)*

### 10. Inventories

	2019 £000	2018 £000
Finished goods and goods for resale	318	344

Inventories recognised as cost of sales in the year amounted to £343,642 (2018: £363,581).

### 11. Trade and other receivables

	2019 £000	2018 £000
Trade receivables	4,036	6,811
Amounts owed by group undertakings	3,981	1,385
Other receivables	191	350
Prepayments and accrued income	75	244
	<u>8,283</u>	<u>8,790</u>

### 12. Cash

	2019 £000	2018 £000
Cash at bank	348	460
	<u>348</u>	<u>460</u>

### 13. Trade and other payables

	2019 £000	2018 £000
Trade payables	600	708
Amounts owed to group undertakings	3,849	5,567
Accruals and deferred income	961	792
Social security and other taxes	147	57
Income tax	133	-
Current lease liabilities ( <i>see note 8</i> )	409	-
	<u>6,099</u>	<u>7,124</u>

## Notes to the financial statements *(continued)*

### 14. Deferred tax assets and liabilities

	2019 £000	2018 £000
At beginning of year - liability	53	45
Charge to the profit and loss account	60	8
	<hr/>	<hr/>
At end of year - liability	113	53
	<hr/>	<hr/>

The elements of deferred taxation are as follows:

	2019 £000	2018 £000
Accelerated capital allowances	128	70
Unpaid remuneration	(10)	(17)
Bad debt accrual	(5)	-
	<hr/>	<hr/>
	113	53
	<hr/>	<hr/>

### 15. Called up share capital

	2019 £000	2018 £000
<i>Authorised</i>		
3,000 ordinary shares of £1 each	3	3
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
3,000 ordinary shares of £1 each	3	3
	<hr/>	<hr/>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the meetings of the company.

### 16. Contingent liabilities

No contingent liabilities existed at 31 December 2019 (2018: £nil).

## Notes to the financial statements *(continued)*

### 17. Commitments

(a) There were no capital commitments at the end of the financial year for which no provision has been made (2018: *£nil*).

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

	2019		2018	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Non-cancellable operating lease commitments:				
Within one year	-	8	314	274
In the second to fifth years inclusive	-	-	653	549
	<hr/>	<hr/>	<hr/>	<hr/>
	-	8	967	823
	<hr/>	<hr/>	<hr/>	<hr/>

### 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 £524,181 (2018: £507,484)

There were no outstanding or prepaid contributions at either the beginning or end of the financial year (2018: *nil*).



## Notes to the financial statements (continued)

### 19. Related party transactions

During the year, the following related party transactions took place within the normal course of business:

<i>Purchase of goods/services from</i>	<b>2019</b> <b>£000</b>	<b>2018</b> <b>£000</b>
Diagnostic Grifols, S.A.	3,358	2,969
Laboratorios Grifols, S.A.	17	26
Grifols International, S.A.	82	84
Medion Grifols Diagnostics AG	153	166
Grifols S.A.	237	-
Grifols Worldwide Oper. Ltd.	37,569	35,781
Grifols Viajes S.A.	50	-
Grifols Shared Services NA Inc	8	-
	<hr/>	<hr/>
<i>Sales of goods/services to</i>	<b>2019</b> <b>£000</b>	<b>2018</b> <b>£000</b>
Diagnostic Grifols, S.A.	926	140
Grifols International, S.A.	526	279
Grifols Worldwide Oper. Ltd.	663	323
	<hr/>	<hr/>
<i>Included within current liabilities</i>	<b>2019</b> <b>£000</b>	<b>2018</b> <b>£000</b>
Grifols S. A.	18	15
Grifols Viajes, S.A.	13	12
Grifols International, S.A.	9	1
Medion Grifols Diagnostics AG	13	16
Diagnostic Grifols, S.A.	978	791
Grifols Worldwide Oper. Ltd.	2,818	4,731
Grifols Shared Services NA Inc	-	1
	<hr/>	<hr/>
<i>Included within current assets</i>	<b>2019</b> <b>£000</b>	<b>2018</b> <b>£000</b>
Diagnostic Grifols, S.A.	59	6
Grifols International, S.A.	270	30
Grifols Worldwide Oper. Ltd.	3,652	1,349
	<hr/>	<hr/>

## Notes to the financial statements *(continued)*

### 20. Ultimate controlling party

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

The largest group in which the results of this company are consolidated is that headed by Grifols SA, which is listed and no one entity or individual has control. The consolidated accounts of this company are available to the public and may be obtained from:

Grifols, S.A.  
Jesús y Maria, 6  
08022  
Barcelona Spain

### 21. Financial instruments – fair value and risk management

The business has exposure to the following risks arising from financial instruments

- Credit risk
- Liquidity risk
- Market risk

#### Risk management framework

The senior team of the business have overall responsibility for the establishment and oversight of the company's risk management policies. The business's risk management policies are established to identify and analyse the risks faced by the business, to set appropriate risk limits and controls to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect conditions and business activities. The business, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

These risks are taken into account in both strategic and operational decision-making and regularly reviewed by senior management teams across the business. The business only enters into financial instruments that recognise financial assets and liabilities like trade and other debtors and creditors.

#### Liquidity risk

Liquidity risk is the risk that the business will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The business's approach to managing liquidity is to ensure, as far as is possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the business reputation.

Group Treasury function has a sweep facility in place that ensures the required cash is available for all transactions, this is managed by Group Treasury. As such, Grifols UK Limited has access to group funds at a moment's notice to ensure that short term obligations are met.

In addition, Grifols UK Limited has a history of being positively cash generative therefore management deem the residual risk in this respect to be low.

#### Credit Risk

Credit risk is the risk of financial loss to the business if a customer to a financial instrument fails to meet its contractual obligations and arises principally from receivables from customers.

The company's credit risk is primarily attributable to its trade debtors. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer depending on their credit rating. The amounts presented in the Statement of Financial Position are net of allowances for bad debts, estimated by the company's management based on prior experience and assessment of information available in regard to the debtors in question.

The carrying value of the financial asset represents the maximum credit exposure.

## Notes to the financial statements (continued)

### 21. Financial instruments – fair value and risk management (continued)

Trade and other receivables.

The business exposure to credit risk is influenced mainly by the individual characteristics of each customer. The management also consider the factors that may influence the credit risk of its customer base.

The senior team have established a credit policy under each new customer is analysed individually for creditworthiness before the business agrees to the terms and conditions. The business review includes external ratings, if there are financial statements available, credit agency information, industry information and information from associated companies within the group. Sale limits are established for each customer and reviewed regularly any sales exceeding the limits require approval from the senior management team,

A significant number of the customers have been transacting with the business for over four years, and no impairment loss has been recognised against these customers. In monitoring customer risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale or retailer, their geographic location, industry, trade history with the business and existence of previous financial difficulties.

The aging of trade receivables at the balance sheet date was:

	Gross 2019 £000	Impairment 2019 £000	Gross 2018 £000	Impairment 2018 £000
Not past due	1,407	6	1,438	3
Past due 0-30 days	2,076	2	4,434	9
Past due 31-180 days	584	23	959	13
More than 180 days	-	-	6	1
	<u>4,067</u>	<u>31</u>	<u>6,837</u>	<u>26</u>

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2019 £000	2018 £000
Balance at 1 January	26	-
Impairment loss recognised	5	26
Impairment loss reversed	-	-
Amounts written off	-	-
Balance at 31 December	<u>31</u>	<u>26</u>

The allowance account for trade receivables is used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade receivables directly.

## Notes to the financial statements *(continued)*

### 21. Financial instruments – fair value and risk management *(continued)*

The company held cash and cash equivalents of £ 348,000 at 31 December 2019 (2018: £ 460,000). The cash and cash equivalents are held with bank and financial institution counterparties, which are related to BBB to A-2, based on Standard & Poors' ratings.

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposure. The company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

The company uses a similar approach to assessment of ECLs for cash and cash equivalents to those used for debt securities.

#### Market risk

Market risk is the risk that changes in the market prices – e.g. foreign exchange rates, commodity prices will affect the business income or value of its holding of financial instruments. The senior team closely review the management information to monitor profitability and losses on products and customers.

Exchange rates in force on purchases from group entities are set at the start of each year in order to protect Grifols UK Limited from foreign currency fluctuations during the year.

The vast majority of our sales are to the public health sector (NHS). We do not predict any insolvency risks from those customers and the expectation is the demand for our products will remain consistent going forward.

Management have considered other market related risks (e.g. interest rate fluctuations) and manage these proactively through appropriate marketing to end customers and management of liquid funds in line with group treasury policies.

#### Currency profile of the financial assets and liabilities

The currency profile of the financial assets and liabilities of the Group is as follows:

As At 31 December 2019	Sterling £000	Euros £000	Others £000	Total £000
Cash and cash equivalents	348	-	-	348
Trade Receivables & Other Receivables	8,283	-	-	8,283
Trade Payables & Other Payables	4,360	83	6	4,449
As At 31 December 2018	Sterling £000	Euros £000	Others £000	Total £000
Cash and cash equivalents	460	-	-	460
Trade Receivables & Other Receivables	8,021	769	-	8,790
Trade Payables & Other Payables	6,180	79	16	6,275

### 22. Subsequent events

There has not been any significant subsequent event after the closing date.

## Notes to the financial statements *(continued)*

### 23. Change in significant accounting policies

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. The application is required for annual periods beginning on or after 1 January 2019.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the substance of transactions involving the legal form of a lease.

The Company adopted IFRS 16 for the first time on 1 January 2019 but has not restated comparative figures for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet at 1 January 2019.

On 1 January 2019 there was no impact in equity due to the IFRS 16 application.

The main policies, estimates and criteria for the application of IFRS 16 are as follows:

- Scope: IFRS 16 evaluation considers all the contracts in which the Company acts as lessee.
- Transition approach: the Company has opted to implement IFRS 16 using the modified retrospective approach, whereby the right-of-use asset is measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. When applying this modified retrospective approach, the Company does not re-express the comparative information.
- Discount rates: under IFRS 16, a lessee shall discount the future lease payments using the interest rate implicit in the lease if that rate can be readily determined. Otherwise, the lessee shall use the incremental borrowing rate. The Company uses the incremental borrowing rate. This is the rate that a lessee would have to pay at the commencement date of the lease for a loan over a similar term, and with similar security, to obtain an asset of a similar value to the right-of-use asset.
- The lease term: it is the non-cancellable period considering the initial term of each contract unless Grifols has a unilateral extension or termination option and there is reasonable certainty that this option will be exercised, in which case the corresponding extension term or early termination will be considered.

The Company leases several buildings, warehouses and vehicles. Leases agreements are usually made for fixed periods, as shown below:

	<u>Average lease term</u>
Buildings and warehouses	5 years
Vehicles	4 years

The lease terms of the agreements are negotiated on an individual basis and contain a wide range of terms and conditions.

## Notes to the financial statements *(continued)*

### 23. Change in significant accounting policies *(continued)*

- Accounting policies applied during transition: the Company has employed the following practical expedients when applying the simplified method to leases previously carried as operating leases under IAS 17 Leases:
  - Non-application of IFRS 16 to agreements that were not previously deemed to contain a lease under IAS 17 and IFRIC 4 “Determining whether an arrangement contains a lease”.
  - Exclusion of the initial direct costs from the measurement of the right-of-use asset on the date of first-time adoption.
  - Exclusion of leases that expire within 12 months as from the date of first-time adoption.
  - Exclusion of leases in which the underlying asset has a low value.

The following table summarises the difference between the operating lease commitments disclosed under IAS 17 at 31 December 2018 in the Company’s financial statements and the lease liabilities recognised at 1 January 2019:

	Land and buildings £000	Other £000
Operating lease commitments existing as at 31 December 2018	967	824
Short-term leases recognised on a straight-line basis as expense	-	(626)
Discounting using Company’s incremental borrowing rate	(34)	(6)
Others	(88)	-
	<hr/>	<hr/>
Lease liability recognised as at 1 January 2019	845	192
	<hr/>	<hr/>

### 24. Post balance sheet events

There have been no material post balance sheet events. The possible impacts of COVID-19 are discussed in the strategic report and also in the basis of preparation in note 1.