

**Grifols UK Limited**

**Annual report and financial statements**

**Registered number 1456099**

**31 December 2020**



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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 2020.

### 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 2020

The Bioscience Division posted sales that were down 11.5% on 2019. Intravenous Immunoglobulin (IVIG) sales were down 14.9% year on year. Patient shielding and a consequent drop in NHS treatment levels and treatment holidays due to the impact of COVID-19 is the primary cause.

Coagulation sales are down 84%, at £191k in 2020, the demand for Factor VIII is significantly reduced due to the COVID-19 pandemic and routine promotional activity and hospital access has been suspended during lockdown.

Despite the Global Pandemic and impact on the NHS Grifols UK has launched the company's first pharmaceutical product – Tavlesse (Fostamatinib).

The Diagnostic Division business has fallen 2.7% in the year. Blood Typing solutions business has grown 12.6%, with new customer installations during the year and despite elective surgery being curtailed due to COVID-19. Clinical Diagnostic Sales has fallen 41% in the year, patients unable to attend routine appointments, face to face customer contact significantly reduced due to COVID-19 and the ending of UK agreements to sell some third-party products previously distributed by Grifols are the underlying causes. The UK Blood donor Systems business has fallen 4.6% in the year to £894k, donations are much lower due to COVID-19 restrictions impacting revenues in the year.

Albumin sales increased 23.5% (£1.3m), Grifols having increased their share of the market in England, Wales and N. Ireland in 2020 and reduced the impact of routine operations and routine standing orders being postponed and cancelled due to COVID-19.

### Risks and uncertainties

Grifols UK Limited has one main customer, the NHS. The COVID-19 impact on the NHS has been immense during the year, patient shielding, reduced blood donations, cancelled elective surgery, together with appointments and routine face to face customer contacts postponed, have all impacted the business. The extent and uncertainty as to when and to what extent impacted business returns will be a continuing pressure through 2021.

Grifols UK Ltd will continue to operate business in a post Brexit UK from 1<sup>st</sup> January 2021. 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 that there is any business impact following the UK leaving the EU, the system would be invoked.

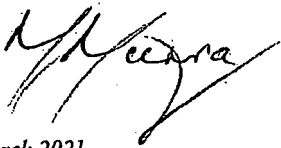
**Key Performance Indicators:**

Total company sales:	80% of plan for 2020	(99%: for 2019).
Bioscience division sales:	78% of plan for 2020	(99%: for 2019).
Diagnostic division sales:	95% of plan for 2020	(104%: for 2019).
Total company gross margins:	81% of plan for 2020	(107%: for 2019).
Bioscience division margins:	74% of plan for 2020	(101%: for 2019).
Diagnostic division margins:	93% of plan for 2020	(121%: for 2019).

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 £1,314,597 (2019: £956,951). There were no dividends paid in the year (2019: £Nil).

**M Murray**  
Secretary



Date: 31<sup>st</sup> March 2021

6<sup>th</sup> Floor  
One London Wall  
London  
EC2Y 5EB

## Directors' report

### Results and dividend

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

There were no dividends paid in the year (2019: £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 and subsequent to the year-end were as follows:

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

### Political and charitable contributions

The company made no political contributions or donations during the year (2019: £nil).

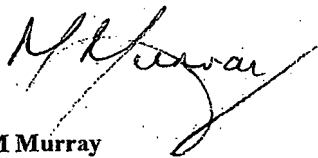
### Statement of disclosure of information to auditor

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

6<sup>th</sup> Floor  
One London Wall  
London  
EC2Y 5EB

Date: 31<sup>st</sup> March 2021

**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 accounting standards in conformity with the requirements of the Companies Act 2006 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 international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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 2020 which comprise the Statement of profit or loss and other 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 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; 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").

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.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the company will continue in operation.

### Fraud and breaches of laws and regulations – ability to detect

#### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that Bioscience and Diagnostic Sales are recorded in the wrong accounting period and the risk that management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of the Company-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management and those posted to unusual accounts.
- Performed direct testing over revenue transactions recorded on or around the year end date, to ensure that the timing of revenue recognition was consistent with the transfer of ownership of the goods.

*Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

*Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

**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.

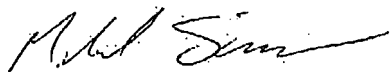
#### **Auditor's responsibilities**

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*

31<sup>st</sup> March 2021

**Statement of profit or loss and other comprehensive income**  
*for the year ended 31 December 2020*

	Note	2020	2019
		£000	£000
<b>Revenue</b>	<b>2</b>	<b>46,837</b>	<b>51,729</b>
Cost of sales		(37,944)	(43,319)
<b>Gross profit</b>		<b>8,893</b>	<b>8,410</b>
Distribution expenses		(806)	(627)
Administrative expenses		(6,708)	(6,497)
<b>Operating profit</b>	<b>3</b>	<b>1,379</b>	<b>1,286</b>
Financial income	6	99	113
Financial expenses	6	(52)	(45)
<b>Net financing result</b>	<b>6</b>	<b>47</b>	<b>68</b>
<b>Profit before tax</b>		<b>1,426</b>	<b>1,354</b>
Taxation	7	(111)	(397)
<b>Profit for the year</b>		<b>1,315</b>	<b>957</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 12 to 26 form part of these financial statements.

**Statement of financial position**  
*at 31 December 2020*

	Note	2020 £000	2020 £000	2019 £000	2019 £000
<b>Non-current assets</b>					
Rights of use	8		1,889		837
Intangible assets			73		123
Property, plant and equipment	9		1,756		1,815
Long term guarantee deposits			104		-
			<u>3,822</u>		<u>2,775</u>
<b>Current assets</b>					
Inventories	10	182		318	
Trade and other receivables	11	9,015		8,283	
Cash and cash equivalents	12	<u>1</u>		<u>348</u>	
		<u>9,198</u>		<u>8,949</u>	
<b>Current liabilities</b>					
Trade and other payables	13	(3,262)		(4,449)	
Accruals and deferred income	13	(875)		(961)	
Other financial liabilities	13	(387)		(280)	
Current lease liabilities	8 & 13	<u>(544)</u>		<u>(409)</u>	
		<u>(5,068)</u>		<u>(6,099)</u>	
<b>Net current assets</b>			<u>4,130</u>		<u>2,850</u>
<b>Total assets less current liabilities</b>			<u>7,952</u>		<u>5,625</u>
<b>Non-current liabilities</b>					
Provisions	14		(65)		(113)
Non-current lease liabilities	8		<u>(1,415)</u>		<u>(435)</u>
			<u>(1,480)</u>		<u>(548)</u>
<b>Net assets</b>			<u>6,472</u>		<u>5,077</u>
<b>Capital and reserves</b>					
Share capital	15		3		3
Share premium			3,070		3,070
Retained earnings			3,252		1,937
Shareholders contribution			<u>147</u>		<u>67</u>
<b>Shareholders' funds</b>			<u>6,472</u>		<u>5,077</u>

The notes on pages 12 to 26 form part of these financial statements.

These financial statements were approved by the board of directors on 31<sup>st</sup> March 2021 and were signed on its behalf by:



**P Blackmore**

Director

Registered number: 1456099

**Statement of changes in equity**  
*for the year ended 31 December 2020*

	Share capital £000	Share premium £000	Retained earnings £000	Shareholders contributions £000	Total equity £000
Balance as at 1 January 2019	3	3,070	980	-	4,053
<b>Total comprehensive income</b>					
Profit	-	-	957	-	957
<b>Transactions with owners</b>					
Others	-	-	-	67	67
	-	-	-	67	67
Balance as at 31 December 2019	3	3,070	1,937	67	5,077
<b>Balance as at 1 January 2020</b>	<b>3</b>	<b>3,070</b>	<b>1,937</b>	<b>67</b>	<b>5,077</b>
<b>Total comprehensive income</b>					
Profit	-	-	1,315	-	1,315
<b>Transactions with owners</b>					
Others	-	-	-	80	80
Balance as at 31 December 2020	3	3,070	3,252	147	6,472

The notes on pages 12 to 26 form part of these financial statements.

**Cash Flow Statement**  
*for the year ended 31 December 2020*

	Note	2020 £000	2019 £000
<b>Cash flows from operating activities</b>			
Profit for the year		1,315	957
<i>Adjustments for:</i>			
Tax		111	397
Depreciation, amortisation and impairment		1,164	905
Foreign exchange loss/(profit)		19	(38)
Financial income	6	(99)	(113)
Financial expense	6	52	45
Loss on sale of equipment	9	5	5
Decrease in trade and other receivables	11	1,191	2,424
Decrease in inventories	10	136	26
Decrease in trade and other payables	13	(1,116)	(1,588)
Tax paid		(138)	(110)
<b>Net cash from operating activities</b>		<b>2,640</b>	<b>2,910</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	9	(517)	(821)
<b>Net cash from investing activities</b>		<b>(517)</b>	<b>(821)</b>
<b>Cash flows from financing activities</b>			
Interest Received	6	99	113
Interest Paid	6	(11)	(45)
Debt with group companies		(1,933)	(1,885)
Debt with external parties	8	(521)	(384)
Other financing activities		(104)	-
<b>Net cash from financing activities</b>		<b>(2,470)</b>	<b>(2,201)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(347)</b>	<b>(112)</b>
Cash and cash equivalents at beginning of year		348	460
<b>Cash and cash equivalents at end of year</b>		<b>1</b>	<b>348</b>

The notes on pages 12 to 26 form part of these financial statements.

## Notes to the financial statements for the year ended 31 December 2020

*(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 international accounting standards in conformity with the requirements of the Companies Act 2006. 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 financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors of Grifols UK Limited have developed cash flow forecasts which incorporate the impact on the activities of the Company of the COVID-19 pandemic. The cashflow forecasts cover a period of 16 months from the date of approval of these financial statements and during this period the Company remains reliant on the wider group for continued supplies, which are made in accordance with group transfer pricing policies, and therefore impact the profitability and future cash flows of the Company. Additionally, the Group provides the Company with access to its cash pooling facilities.

The nature of the relationship with the group, including the transfer pricing agreement, is such that the performance of the Company is largely protected against any downside scenarios to the forecast. Hence the Company is reliant on the group to deliver the business plan and the forecast cash flows are dependent on Grifols S.A. continuing to provide both supplies and access to the cash pooling arrangement over the period of the forecast.

Grifols S.A. has indicated its intention to continue to provide access to the cash pooling arrangement and therefore such funds as are needed by the company to enable it to meet its obligations as they fall due and continue to trade for a period of at least 12 months from the date of approval of these financial statements. 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.

#### *Operating lease rentals*

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)*

#### *Leases*

IFRS 16 brings in a single model for lease accounting by lessees in the statement of financial position. A lessee recognizes 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 optional exemptions for short-term leases and leases of low value items.

#### *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)*

#### *Future developments*

Standards issued but not effective in 2020:

- Amendments to IFRS 4 Insurance Contracts - deferral to IFRS 19 (issued on 25 June 2020)
- Amendments on 14 May 2020 to:
  - IFRS 3 Business combinations: references to the conceptual framework
  - IAS 16 Property, plant and equipment: proceeds before intended use
  - IAS 37 Provisions, contingent liabilities and contingent assets: Onerous contracts - Cost of fulfilling a contract
  - Annual improvements 2018-2020: IFRS 1, IFRS 9, IFRS 16 and IAS 41
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
- Insurance Contracts (issued on 18 May 2017); including amendments to IFRS 17 (issued on 25 June 2020)
- IAS 1 Classification of liabilities as current or non-current (issued on 23 January 2020)

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:

	2020 £000	2019 £000
United Kingdom	44,415	49,596
Other	2,422	2,133
	<u>46,837</u>	<u>51,729</u>

### 3. Results from operating activities

	2020 £000	2019 £000
<i>Results from operating activities</i>		
The result from operating activities is stated after charging:		
Auditors' remuneration:		
Audit of these financial statements	43	40
Audit related assurance services	13	12
Depreciation of rights of use	543	391
Depreciation of intangible and tangible fixed assets	621	514
Rentals payable under operating leases		
Other	37	122
Net foreign exchange profit or loss	19	(38)
	<u></u>	<u></u>

### 4. Remuneration of directors

	2020 £000	2019 £000
Directors' emoluments	188	181
Pension contributions	28	27
	<u>216</u>	<u>208</u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director were £216k (2019: £208k).

The number of directors to whom retirement benefits are accruing under such schemes in respect of qualifying services is one (2019: 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 2020 and 31 December 2019.

## 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	
	2020	2019
Distribution	38	33
Administration and research	22	21
	<hr/>	<hr/>
	60	54
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2020	2019
	£000	£000
Wages and salaries	4,292	3,907
Social security costs	622	529
Other pension costs <i>(see note 18)</i>	583	524
	<hr/>	<hr/>
	5,497	4,960
	<hr/>	<hr/>

### 6. Finance costs and income

	2020	2019
	£000	£000
Interest income - bank accounts and group loans	99	113
Interest expense - bank accounts and group loans	(10)	(20)
Lease expense <i>(see note 8)</i>	(42)	(25)
	<hr/>	<hr/>
	47	68
	<hr/>	<hr/>

## Notes to the financial statements (continued)

### 7. Taxation

#### Analysis of tax expense in the year

	2020 £000	2019 £000
<b>Current tax</b>		
UK Corporation tax on profit for the year	319	270
Adjustments in respect of prior periods	(160)	72
Others	-	(5)
<b>Total current tax</b>	<b>159</b>	<b>337</b>
<b>Deferred tax (see note 14)</b>		
Origination and reversal of timing differences	(48)	60
<b>Total deferred tax</b>	<b>(48)</b>	<b>60</b>
<b>Tax on profit (see below)</b>	<b>111</b>	<b>397</b>

#### 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 (2019: lower) of 19% (2019: 19%). The differences are explained below.

	2020 £000	2019 £000
<b>Tax reconciliation</b>		
Profit before tax	1,426	1,354
<b>Tax using the UK Corporation tax rate of 19% (2019: 19%)</b>	<b>271</b>	<b>257</b>
<b>Effects of:</b>		
Expenses not deductible for tax purposes	-	73
Adjustments in respect of prior periods	(160)	72
Others	-	(5)
<b>Total tax charge (see above)</b>	<b>111</b>	<b>397</b>

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset as at 31 December 2019 has been calculated based on this rate. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. This will increase the company's future current tax charge accordingly.

## Notes to the financial statements (continued)

### 8. Leases

#### Leases as a lessee

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

	Land and buildings	Vehicles	Computer Equipment	Total
	£000	£000	£000	£000
<i>Cost or valuation</i>				
At 1 January 2020	845	383	-	1,228
Additions	1,475	114	6	1,595
Retirements	-	(37)	-	(37)
<b>At 31 December 2020</b>	<b>2,320</b>	<b>460</b>	<b>6</b>	<b>2,786</b>
<i>Depreciation</i>				
At 1 January 2020	276	115	-	391
Charge for year	387	155	1	543
Retirements	-	(37)	-	(37)
<b>At 31 December 2020</b>	<b>663</b>	<b>233</b>	<b>1</b>	<b>897</b>
<i>Net book value</i>				
Cost or valuation	2,320	460	6	2,786
Depreciation	663	233	1	897
<b>At 31 December 2020</b>	<b>1,657</b>	<b>227</b>	<b>5</b>	<b>1,889</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

	2020 £000	2019 £000
Non-current lease liabilities	1,415	435
Current lease liabilities	544	409
	<b>1,959</b>	<b>844</b>

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

	2020 £000	2019 £000
Right-of-use depreciation	543	391
Interest on lease liabilities	42	25
	<b>585</b>	<b>416</b>

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

	2020 £000	2019 £000
Total cash outflow for leases	521	384
	<b>521</b>	<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 2019	819	440	4,233	5,492
Additions	11	54	695	760
Disposals	-	(17)	(54)	(71)
Transfers	-	(44)	16	(28)
At 31 December 2019	830	433	4,890	6,153
At 1 January 2020	830	433	4,890	6,153
Additions	-	96	421	517
Disposals	-	-	(313)	(313)
At 31 December 2020	830	529	4,998	6,357
<i>Depreciation</i>				
At 1 January 2019	577	263	3,081	3,921
Charge for year	37	44	401	482
Disposals	-	(15)	(50)	(65)
At 31 December 2019	614	292	3,432	4,338
At 1 January 2020	614	292	3,432	4,338
Charge for year	37	48	486	571
Disposals	-	-	(308)	(308)
At 31 December 2020	651	340	3,610	4,601
<i>Net book value</i>				
At 31 December 2020	179	189	1,388	1,756
At 31 December 2019	216	141	1,458	1,815

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

### 10. Inventories

	2020 £000	2019 £000
Finished goods and goods for resale	282	318
Inventory allowance	(100)	-
	<u>182</u>	<u>318</u>

Inventories recognised as cost of sales in the year amounted to £317,697 (2019: £343,642).

### 11. Trade and other receivables

	2020 £000	2019 £000
Trade receivables	3,560	4,036
Amounts owed by group undertakings	5,324	3,981
Other receivables	68	191
Prepayments and accrued income	63	75
	<u>9,015</u>	<u>8,283</u>

As of 31 December 2020, the cash pooling balance amounted to £4,587 (2019: £2,654).

### 12. Cash

	2020 £000	2019 £000
Cash at bank	1	348
	<u>1</u>	<u>348</u>

### 13. Trade and other payables

	2020 £000	2019 £000
Trade payables	541	600
Amounts owed to group undertakings	2,721	3,849
Accruals and deferred income	875	961
Social security and other taxes	298	147
Income tax	89	133
Current lease liabilities <i>(see note 8)</i>	544	409
	<u>5,068</u>	<u>6,099</u>

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

### 14. Deferred tax assets and liabilities

	2020 £000	2019 £000
At beginning of year - liability	113	53
Charge to the profit and loss account	(48)	60
	<hr/>	<hr/>
At end of year - liability	65	113
	<hr/>	<hr/>

The elements of deferred taxation are as follows:

	2020 £000	2019 £000
Accelerated capital allowances	86	128
Unpaid remuneration	(10)	(10)
Bad debt accrual	(2)	(5)
Pension	(9)	-
	<hr/>	<hr/>
	65	113
	<hr/>	<hr/>

### 15. Called up share capital

	2020 £000	2019 £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 2020 (2019: *£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 (2019: *£nil*).

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

	2020		2019	
	Land and buildings £000	Other £000	Land and Buildings £000	Other £000
Non-cancellable operating lease commitments:				
Within one year	-	5	-	8
In the second to fifth years inclusive	-	-	-	-
	<u>-</u>	<u>5</u>	<u>-</u>	<u>8</u>
	<u>-</u>	<u>5</u>	<u>-</u>	<u>8</u>

### 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 £582,660 (2019: £524,181)

There were no outstanding or prepaid contributions at either the beginning or end of the financial year (2019: *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>2020</b> <b>£000</b>	<b>2019</b> <b>£000</b>
Diagnostic Grifols, S.A.	2,727	3,358
Laboratorios Grifols, S.A.	8	17
Grifols International, S.A.	119	82
Medion Grifols Diagnostics AG	208	153
Grifols S.A.	282	237
Grifols Worldwide Oper. Ltd.	32,279	37,569
Grifols Viajes S.A.	35	50
Grifols Shared Services NA Inc	-	8
	<hr/>	<hr/>
<i>Sales of goods/services to</i>	<b>2020</b> <b>£000</b>	<b>2019</b> <b>£000</b>
Diagnostic Grifols, S.A.	951	926
Grifols International, S.A.	508	526
Grifols Worldwide Oper. Ltd.	948	663
	<hr/>	<hr/>
<i>Included within current liabilities</i>	<b>2020</b> <b>£000</b>	<b>2019</b> <b>£000</b>
Grifols S. A.	26	18
Grifols Viajes, S.A.	-	13
Grifols International, S.A.	19	9
Medion Grifols Diagnostics AG	17	13
Diagnostic Grifols, S.A.	72	978
Grifols Worldwide Oper. Ltd.	2,587	2,818
	<hr/>	<hr/>
<i>Included within current assets</i>	<b>2020</b> <b>£000</b>	<b>2019</b> <b>£000</b>
Diagnostic Grifols, S.A.	80	59
Grifols International, S.A.	41	270
Grifols Worldwide Oper. Ltd.	5,203	3,652
	<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 María, 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 considers 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 2020 £000	Impairment 2020 £000	Gross 2019 £000	Impairment 2019 £000
Not past due	1,264	2	1,407	6
Past due 0-30 days	1,772	3	2,076	2
Past due 31-180 days	537	8	584	23
More than 180 days	-	-	-	-
	<u>3,573</u>	<u>13</u>	<u>4,067</u>	<u>31</u>

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

	2020 £000	2019 £000
Balance at 1 January	31	26
Impairment loss recognised	-	5
Impairment loss reversed	(18)	-
Amounts written off	-	-
Balance at 31 December	<u>13</u>	<u>31</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 £558 at 31 December 2020 (2019: £ 348,000). 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 2020	Sterling £000	Euros £000	Others £000	Total £000
Cash and cash equivalents	1	-	-	1
Trade Receivables & Other Receivables	9,015	-	-	9,015
Trade Payables & Other Payables	3,206	48	8	3,262
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

### 22. Subsequent events

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