Grifols UK Limited

Annual report and financial statements

Registered number 1456099

31 December 2021

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Contents

Strategic Report

The directors present their Strategic report, Directors report and the audited financial statements for the year ended 31 December 2021.

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 2021
The Bioscience Division posted sales that were down 14.2% on 2020. Intravenous Immunoglobulin (IVIG) sales were down 23.0% year on year. The continuing impact through 2021 of COVID-19 on product supply, on-going Patient shielding, reduced NHS treatment levels and treatment holidays are the underlying causes.

Coagulation sales have increased 78%. to £342k in 2021, the demand for Factor VIII showing signs of recovering from the impact of the COVID-19 pandemic

Despite challenging market conditions Tavlesse (Fostamatinib) Grifols UK first pharmaceutical product launched in 2020. has grown sales to £655k through 2021.

The Diagnostic Division business has increased 12.4% in the year. Blood Typing solutions business has grown 23.8%, primarily due to new customer installations and some easing of curtailed elective surgery due to COVID-19. Clinical Diagnostic Sales has fallen 44.6% in the year, with patients attending routine appointments still low and face to face customer contact continuing at reduced levels due to COVID-19 and full year impact of ending UK agreements to sell some third-party products previously distributed by Grifols continue to be the main causes. The UK Blood donor Systems business has increased 12.4% in the year to £1m. donations have increased as COVID impact eases and are reflected in the revenues generated.

Albumin sales increased 15.2% (£1.1m), Grifols continues to be the market leader for Albumin supply in the UK through 2021 reducing the on-going 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 continued through 2021; patient shielding, reduced blood donations, cancelled elective surgery, together with appointments and routine face to face customer contacts continuing to be delayed and postponed have impacted the business through 2021. With some early signs that business within the NHS is recovering, the extent, uncertainty and speed as to when, where and to what level impacted business returns will be a continuing pressure through 2022.

Grifols UK Ltd continues to operate business in a post Brexit UK with a robust Business Continuity Management System consisting of Plans and SOPs, audited and certified by LRQA to ISO 22301.

Key Performance Indicators:

Total company sales:	107% of plan for 2021	(80%: for 2020).
Bioscience division sales:	107% of plan for 2021.	(78%: for 2020).
Diagnostic division sales:	108% of plan for 2021	(95%: for 2020).

Business is measured against a group agreed Budget plan set annually. Profits are calculated including the appropriately allocated standard costs of the products sold together with all the Distribution, Support and Administrative costs of the UK organisation.

The profit for the year after taxation amounted to £1,173,940 *(2020: £1,314,592)*. There were no dividends paid in the year *(2020: £Nil)*.

M Murray
Secretary

6th Floor
One London Wall
London
EC2Y 5EB

Date: 20th May 2022

Directors' report

Results and dividend

The statement of comprehensive income is set out on page 8.

There were no dividends paid in the year (*2020:* £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	(Spanish)

Political and charitable contributions

The company made no political contributions or donations during the year *(2020: £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.

Director's indemnity provisions

The directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

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

6th Floor
One London Wall
London
EC2Y 5EB

Date: 20th May 2022

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 UK-adopted international accounting standards 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 UK-adopted international accounting standards;
- 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 2021 which comprise the Statement of Profit and 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 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; 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.

Firstly, 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.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery, employment law, regulatory capital and liquidity, and certain aspects of company legislation recognising the financial and regulated nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

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 3, 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.

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

26 May 2022

Statement of profit or loss and other comprehensive income
for the year ended 31 December 2021

	Note	2021	2020
		£000	£000
Revenue	2	**42,822**	46.837
Cost of sales		**(32,804)**	(37,944)
Gross profit		**10,018**	8,893
Distribution expenses		**(1,401)**	(806)
Administrative expenses		**(7,178)**	(6.708)
Operating profit	3	**1,439**	1.379
Financial income	6	**204**	99
Financial expenses	6	**(53)**	(52)
Net financing result	6	**151**	47
Profit before tax		**1,590**	1,426
Taxation	7	**(416)**	(111)
Profit for the year		**1,174**	1,315

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 27 form part of these financial statements.

Statement of financial position
at 31 December 2021

	Note	2021 £000	2021 £000	2020 £000	2020 £000
Non-current assets					
Rights of use	*8*		**1,994**		1,889
Intangible assets	*9*		**112**		73
Property, plant and equipment	*10*		**2,281**		1,756
Long term guarantee deposits			**104**		104
			4,491		3,822
Current assets					
Inventories	*11*	**74**		182	
Trade and other receivables	*12*	**10,240**		9,015	
Cash and cash equivalents	*13*	**-**		1	
		10,314		9,198	
Current liabilities					
Trade and other payables	*14*	**(2,699)**		(3,262)	
Accruals and deferred income	*14*	**(1,113)**		(875)	
Other financial liabilities	*14*	**(634)**		(387)	
Current lease liabilities	*8 & 14*	**(313)**		(544)	
Provisions		**(463)**		-	
		(5,222)		(5,068)	
Net current assets			**5,092**		4,130
Total assets less current liabilities			**9,583**		7,952
Non-current liabilities					
Deferred tax liabilities	*15*		**(101)**		(65)
Provisions			**(500)**		-
Non-current lease liabilities	*8*		**(1,258)**		(1,415)
			(1,859)		(1,480)
Net assets			**7,724**		6,472
Capital and reserves					
Share capital	*16*		**3**		3
Share premium			**3,070**		3,070
Retained earnings			**4,426**		3,252
Shareholders contribution			**225**		147
Shareholders' funds			**7,724**		6,472

The notes on pages 12 to 27 form part of these financial statements.

These financial statements were approved by the board of directors on 20th May 2022 and were signed on its behalf by:

P Blackmore

Director

Registered number: 1456099

Statement of changes in equity
for the year ended 31 December 2021

	Share capital £000	Share premium £000	Retained earnings £000	Shareholders contributions £000	Total equity £000
Balance as at 1 January 2020	3	3,070	1,937	67	5,077
Total comprehensive income					
Profit	-	-	1,315	-	1,315
Transactions with owners					
Others	-	-	-	80	80
Balance as at 31 December 2020	3	3,070	3,252	147	6,472
Balance as at 1 January 2021	**3**	**3,070**	**3,252**	**147**	**6,472**
Total comprehensive income					
Profit	-	-	1,174	-	1,174
Transactions with owners					
Others	-	-	-	78	78
Balance as at 31 December 2021	**3**	**3,070**	**4,426**	**225**	**7,724**

The notes on pages 12 to 27 form part of these financial statements.

Cash Flow Statement
for the year ended 31 December 2021

	Note	2021 £000	2020 £000
Cash flows from operating activities			
Profit for the year		1,174	1,315
Adjustments for:			
Tax		416	111
Depreciation, amortisation and impairment		1,202	1.164
Provisions		463	-
Foreign exchange loss/(profit)		(14)	19
Financial income	*6*	(204)	(99)
Financial expense	*6*	53	52
Loss on sale of equipment	*10*	175	5
Decrease in trade and other receivables	*12*	175	1.191
Decrease in inventories	*11*	108	136
Decrease in trade and other payables	*14*	(280)	(1,116)
Tax paid		(84)	(138)
Net cash from operating activities		3,184	2.640
Cash flows from investing activities			
Acquisition of property, plant and equipment	*9 & 10*	(1,331)	(517)
Net cash from investing activities		(1,331)	(517)
Cash flows from financing activities			
Interest Received	*6*	204	99
Interest Paid	*6*	(13)	(11)
Debt with group companies		(1,391)	(1,933)
Debt with external parties	*8*	(654)	(521)
Other financing activities		-	(104)
Net cash from financing activities		(1,854)	(2,470)
Net (decrease)/increase in cash and cash equivalents		(1)	(347)
Cash and cash equivalents at beginning of year		1	348
Cash and cash equivalents at end of year		[illegible]	[illegible]

The notes on pages 12 to 27 form part of these financial statements.

Notes to the financial statements
for the year ended 31 December 2021

(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 have prepared cash flow forecasts which incorporate the impact on the activities of the Company of the COVID-19 pandemic in order to assess going concern, which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through access to the cash pooling arrangement to meet its liabilities as they fall due during the going concern assessment period.

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 make available 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 2021:

- Various - Amendments on May 14, 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, IAS 41
- IFRS 17 - Insurance contracts
- Amendment to IAS 1 - Classification of liabilities as current or non-current
- Amendment to IAS 8 - Changes in Accounting estimates and errors
- Amendment to IAS 1 - Disclosure of Accounting policies
- Amendment to IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction

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 results 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:

	2021 £000	2020 £000
United Kingdom	**39,710**	44,415
Other	**3,112**	2,422
	42,822	46,837

3. Results from operating activities

	2021 £000	2020 £000
Results from operating activities		
The result from operating activities is stated after charging:		
Auditors' remuneration:		
Audit of these financial statements	**50**	43
Audit related assurance services	**13**	13
Depreciation of rights of use	**610**	543
Depreciation of intangible and tangible fixed assets	**592**	621
Rentals payable under operating leases		
Other	**25**	37
Net foreign exchange profit or loss	**14**	19

4. Remuneration of directors

	2021 £000	2020 £000
Directors' emoluments	**159**	188
Pension contributions	**24**	28
	183	216

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director were £183k *(2020: £216k)*.

The number of directors to whom retirement benefits are accruing under such schemes in respect of qualifying services is one (2020: 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 2021 and 31 December 2020.

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	
	2021	2020
Distribution	**40**	38
Administration and research	**23**	22
	63	60

The aggregate payroll costs of these persons were as follows:

	2021	2020
	£000	£000
Wages and salaries	**4,418**	4,292
Social security costs	**599**	622
Other pension costs *(see note 19)*	**683**	583
	5,700	5,497

6. Finance costs and income

	2021	2020
	£000	£000
Interest income - bank accounts and group loans	**204**	99
Interest expense - bank accounts and group loans	**(13)**	(10)
Lease expense *(see note 8)*	**(40)**	(42)
	151	47

Notes to the financial statements *(continued)*

7. Taxation

Analysis of tax expense in the year

	2021 £000	2020 £000
Current tax		
UK Corporation tax on profit for the year	380	319
Adjustments in respect of prior periods	-	(160)
Total current tax	380	159
Deferred tax *(see note 15)*		
Origination and reversal of timing differences	(76)	(48)
Adjustments in respect of prior periods	112	-
Total deferred tax	36	(48)
Tax on profit (see below)	416	111

Factors affecting the tax charge for the current year

	2021 £000	2020 £000
Tax reconciliation		
Profit before tax	1,590	1,426
Tax using the UK Corporation tax rate of 19% *(2020: 19%)*	304	271
Effects of:		
Adjustments in respect of prior periods	112	(160)
Total tax charge (see above)	416	111

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**
Cost or valuation				
At 1 January 2021	2,320	460	6	2,786
Additions	500	255	-	755
Retirements	-	(218)	-	(218)
At 31 December 2021	**2,820**	**497**	**6**	**3,323**
Depreciation				
At 1 January 2021	663	233	1	897
Charge for year	429	176	5	610
Retirements	-	(178)	-	(178)
At 31 December 2021	**1,092**	**231**	**6**	**1,329**
Net book value				
Cost or valuation	2,820	497	6	3,323
Depreciation	1,092	231	6	1,329
At 31 December 2021	**1,728**	**266**	**-**	**1,994**

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	**2021**	2020
	£000	£000
Non-current lease liabilities	1,258	1,415
Current lease liabilities	313	544
	1,571	1,959

(c) Amounts recognised in profit or loss	**2021**	2020
	£000	£000
Right-of-use depreciation	**610**	543
Interest on lease liabilities	**40**	42
	650	585

(d) Amounts recognised in Cash flow statement	**2021**	2020
	£000	£000
Total cash outflow for leases	**654**	521
	654	521

Notes to the financial statements *(continued)*

9. Intangible assets

	Computer software	In progress	Total
	£000	£000	£000
Cost or valuation			
At 1 January 2020	136	33	169
Transfers	33	(33)	-
At 31 December 2020	169	-	169
At 1 January 2021	169	-	169
Additions	2	68	70
Transfers	14	-	14
At 31 December 2021	**185**	**68**	**253**
Depreciation			
At 1 January 2020	46	-	46
Charge for year	50	-	50
At 31 December 2020	96	-	96
At 1 January 2021	96	-	96
Charge for year	45	-	45
At 31 December 2021	**141**	-	**141**
Net book value			
At 31 December 2021	**44**	**68**	**112**
At 31 December 2020	73	-	73

Notes to the financial statements *(continued)*

10. Tangible fixed assets

	Warehouse fixtures	Furniture, fittings and computer equipment	Equipment on loan	In progress	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 January 2020	830	392	4.890	41	6.153
Additions	-	43	421	53	517
Disposals	-	-	(313)	-	(313)
At 31 December 2020	830	435	4.998	94	6.357
At 1 January 2021	830	435	4,998	94	6,357
Additions	-	32	119	1,110	1,261
Disposals	(259)	(86)	-	-	(345)
Transfers	-	-	-	(14)	(14)
At 31 December 2021	**571**	**381**	**5,117**	**1,190**	**7,259**
Depreciation					
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
At 1 January 2021	651	340	3,610	-	4,601
Charge for year	26	40	481	-	547
Disposals	(106)	(64)	-	-	(170)
At 31 December 2021	**571**	**316**	**4,091**	-	**4,978**
Net book value					
At 31 December 2021	-	**65**	**1,026**	**1,190**	**2,281**
At 31 December 2020	179	95	1.388	94	1.756

Notes to the financial statements *(continued)*

11. Inventories

	2021	2020
	£000	£000
Finished goods and goods for resale	**162**	282
Inventory allowance	**(88)**	(100)
	74	182

Inventories recognised as cost of sales in the year amounted to £182,441 (2020: £317,697).

12. Trade and other receivables

	2021	2020
	£000	£000
Trade receivables	**3,284**	3,560
Amounts owed by group undertakings	**6,803**	5,324
Other receivables	**89**	68
Prepayments and accrued income	**64**	63
	10,240	9,015

As of 31 December 2021, the cash pooling balance amounted to £k5,978 (2020: £k4,587).

13. Cash

	2021	2020
	£000	£000
Cash at bank	[illegible]	[illegible]
	[illegible]	[illegible]

14. Trade and other payables

	2021	2020
	£000	£000
Trade payables	**1,473**	541
Amounts owed to group undertakings	**1,226**	2,721
Accruals and deferred income	**1,113**	875
Social security and other taxes	**338**	298
Income tax	**296**	89
Current lease liabilities *(see note 8)*	**313**	544
Provisions	**463**	[illegible]
	5,222	5,068

Notes to the financial statements *(continued)*

15. Deferred tax assets and liabilities

	2021 £000	2020 £000
At beginning of year - liability	**65**	113
Charge to the profit and loss account	**36**	(48)
At end of year - liability	**101**	65

The elements of deferred taxation are as follows:

	2021 £000	2020 £000
Accelerated capital allowances	**123**	86
Unpaid remuneration	**-**	(10)
Bad debt accrual	**(7)**	(2)
Pension	**(15)**	(9)
	101	65

16. Called up share capital

	2021 £000	2020 £000
Authorised		
3,000 ordinary shares of £1 each	**3**	3
Allotted, called up and fully paid		
3,000 ordinary shares of £1 each	**3**	3

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.

17. Contingent liabilities

No contingent liabilities existed at 31 December 2021 *(2020: £nil)*.

Notes to the financial statements *(continued)*

18. Commitments

(a) There were no capital commitments at the end of the financial year for which no provision has been made *(2020: £nil)*.

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

	2021		2020	
	Land and buildings £000	**Other £000**	Land and Buildings £000	Other £000
Non-cancellable operating lease commitments:				
Within one year	[illegible]	**8**	[illegible]	5
In the second to fifth years inclusive	[illegible]	**-**	[illegible]	-
	[illegible]	**8**	[illegible]	5

19. Pension scheme

The company operates a defined contribution pension scheme. The pension charge for the year represents contributions payable by the company to the fund and amounted to £682,758 *(2020: £582,660)*

There were no outstanding or prepaid contributions at either the beginning or end of the financial year *(2020: nil)*.

Notes to the financial statements *(continued)*

20. Related party transactions

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

Purchase of goods/services from	**2021**	2020
	£000	£000
Diagnostic Grifols, S.A.	**2,826**	2,727
Laboratorios Grifols. S.A.	**1**	8
Grifols International. S.A.	**67**	119
Medion Grifols Diagnostics AG	**214**	208
Grifols S.A.	**273**	282
Grifols Worldwide Oper. Ltd.	**27,061**	32,279
Grifols Viajes S.A.	**8**	35
Grifols Shared Services NA Inc	**1**	[illegible]

Sales of goods/services to	**2021**	2020
	£000	£000
Diagnostic Grifols, S.A.	**1,200**	951
Grifols International. S.A.	**543**	508
Grifols Worldwide Oper. Ltd.	**1,369**	948

Included within current liabilities	**2021**	2020
	£000	£000
Grifols S. A.	**25**	26
Grifols Viajes, S.A.	**3**	[illegible]
Grifols International, S.A.	**4**	19
Medion Grifols Diagnostics AG	**18**	17
Diagnostic Grifols, S.A.	**327**	72
Grifols Worldwide Oper. Ltd.	**849**	2,587

Included within current assets	**2021**	2020
	£000	£000
Diagnostic Grifols. S.A.	**105**	80
Grifols International, S.A.	**38**	41
Grifols Worldwide Oper. Ltd.	**6,660**	5,203

Notes to the financial statements *(continued)*

21. 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

22. 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 manage 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)*

22. 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 2021 £000	**Impairment 2021 £000**	Gross 2020 £000	Impairment 2020 £000
Not past due	**1,149**	**2**	1,264	2
Past due 0-30 days	**1,877**	**4**	1,772	3
Past due 31-180 days	**293**	**29**	537	8
More than 180 days	**-**	**-**	-	-
	3,319	**35**	3,573	13

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

	2021 £000	2020 £000
Balance at 1 January	**13**	31
Impairment loss recognised	**22**	-
Impairment loss reversed	**-**	(18)
Amounts written off	**-**	-
Balance at 31 December	**35**	13

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)*

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

The company held cash and cash equivalents of £30 at 31 December 2021 (2020: £558). 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 is 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 2021	Sterling £000	Euros £000	Others £000	**Total £000**
Cash and cash equivalents	-	-	-	-
Trade Receivables & Other Receivables	10,240	-	-	**10,240**
Trade Payables & Other Payables	2,668	29	2	**2,699**

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**

23. Subsequent events

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