

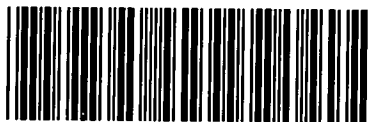
Grifols UK Limited

Annual report and financial statements

Registered number 1456099

31 December 2022

TUESDAY



AC3N8ARN

A11

16/05/2023

#105

COMPANIES HOUSE

Contents

Strategic report	1
Directors' report	2
Statement of directors' responsibilities in respect of the directors' report and the financial statements	3
Independent auditor's report to the members of Grifols UK Limited	4
Statement of profit or loss and other comprehensive income	7
Statement of financial position	8
Statement of changes in equity	9
Cash flow statement	10
Notes to the financial statements	11

Strategic Report

The directors present their Strategic report, Directors report and the audited financial statements for the year ended 31 December 2022.

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. The company also provides certain services to the group for example, storage space in the warehouse for group products.

Development and Performance of the Business in 2022

The Biopharma Division posted sales that were down 11.7% on 2021. There was a continued impact on the supply chain of Albumin and Immunoglobulin during the recovery period from the pandemic. The statutory rebate scheme that impacts all Biopharma products increased from 10.9% to 14.3% in 2022.

Coagulation final sales realised during 2022 were £194K, Factor VIII is no longer available on the market as we have withdrawn from the framework.

Tavlesse (Fostamatinib) finally received much delayed NICE approval in Q4 2022.

Biopharma sales are expected to recover in 2023, however the Branded Health Levy has increased from 14.3% to 27.5% in 2023. Future expectation is to launch Xembify latest by mid-2025 aligned with the commercial framework.

The Diagnostic Division business has increased by 5.7% in the year. Blood Typing solutions business has grown 5.5%, primarily due to new customer installations, with the underlying core reagents growing at 12.0% as the prior year included Capital sales for Spire which did not feature in 2022. Clinical Diagnostic Sales has grown 12.3% in the year due to increased activity in the sector. The UK Blood donor Systems business has shown an increase of 5.1% in the year due to additional testing in the NHSBT reference laboratory, whilst blood donation volumes have now stabilised post-COVID.

In 2023, Diagnostics Sales are expected to grow at the same rate as in 2022 driven mainly by the new accounts.

Risks and uncertainties

Grifols UK Limited has one main customer, the NHS. The Statutory Rebate scheme is increasing from January 2023 to 27.5% of Biopharma sales which has significant impact on the profitability. The scheme is under review for 2024 given overall industry unease at the current level.

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 (exc. Intercompany)	82.% of plan for 2022	(107%: for 2021).
Biopharma division sales:	78% of plan for 2022	(107%: for 2021).
Diagnostic division sales:	108% of plan for 2022	(108%: for 2021).

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 £832,111 (2021: £1,173,940). There were no dividends paid in the year (2021: £Nil).



P. Blackmore
Managing Director

Date: 2nd May 2023

6th Floor
One London Wall
London EC2Y 5EB

Directors' report

Financial Instruments

The company's principal financial instruments are cash and cash equivalents, trade and other receivables and lease liabilities. The main purpose of these financial instruments is to fund the company's operations. Disclosures in relation to these financial instruments are detailed in note 1 of these financial statements.

Results and dividend

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

There were no dividends paid in the year (2021: £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	(Spanish)
Montserrat Lloveras	(Spanish)
Paula Karen Blackmore	(British)
Miguel Pascual (retired on 1 st November 2022)	(Spanish)
Santiago González (appointed on 1 st November 2022 after the resignation of Miguel Pascual)	(Spanish)

The directors who resigned subsequent to year end are Alfredo Arroyo and Montserrat Lloveras, both in the meeting of the board of directors on 29th March 2023. On the same date, Irene Roche (Spanish) and Javier Llunell (Spanish) were appointed directors.

Political and charitable contributions

The company made no political contributions or donations during the year (2021: £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



P. Blackmore
Managing Director

Date: 2nd May 2023

6th Floor
One London Wall
London EC2Y 5EB

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

The directors are responsible for preparing the Annual Report, 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 2022 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 2022 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 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, we perform procedures to address the risk of management override of controls in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because management have very limited opportunity to manipulate the amount of revenue earned at any point in time.

We did not identify any additional fraud risks.

Fraud and breaches of laws and regulations – ability to detect (Continued)

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

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to cash accounts with corresponding unrelated accounts.

Identifying and responding to risks of material misstatement related to 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 others management (as required by auditing standards), 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, food and drugs administration, regulations from Department of Health and Social Care, regulations issued by the Medicines and Healthcare Products Regulatory Agency (MHRA) and certain aspects of company legislation recognising the nature of the Company's activities and its legal form. 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 fraud 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; or

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
KPMG LLP
Dragonfly House
2 Gilders Way
Norwich
NR3 1UB
United Kingdom

Date: 2 May 2023

Statement of profit or loss and other comprehensive income
for the year ended 31 December 2022

	Note	2022	2021
		£000	£000
Revenue	2	38,792	42,822
Cost of sales		(31,208)	(32,804)
Gross profit		7,584	10,018
Distribution expenses		(1,154)	(1,401)
Administrative expenses		(5,598)	(7,178)
Operating profit	3	832	1,439
Financial income	6	362	204
Financial expenses	6	(56)	(53)
Net financing result	6	306	151
Profit before tax		1,138	1,590
Taxation	7	(306)	(416)
Profit for the year		832	1,174

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.


The notes on pages 11 to 30 form part of these financial statements.

Statement of financial position
at 31 December 2022

	<i>Note</i>	2022 £000	2022 £000	2021 £000	2021 £000
Non-current assets					
Right of use assets	8		1,657		1,994
Intangible assets	9		110		112
Property, plant and equipment	10		2,717		2,281
Long term guarantee deposits			104		104
			<u>4,588</u>		<u>4,491</u>
Current assets					
Inventories	11	95		74	
Trade and other receivables	12	11,682		10,240	
Cash and cash equivalents	13	-		-	
		<u>11,777</u>		<u>10,314</u>	
Current liabilities					
Trade and other payables	14	(4,574)		(2,699)	
Accruals and deferred income	14	(880)		(1,113)	
Other financial liabilities	14	(220)		(634)	
Current lease liabilities	8 & 14	(249)		(313)	
Provisions	15	-		(463)	
		<u>(5,923)</u>		<u>(5,222)</u>	
Net current assets			<u>5,854</u>		<u>5,092</u>
Total assets less current liabilities			10,442		9,583
Non-current liabilities					
Deferred tax liabilities	16		(244)		(101)
Provisions	15		(511)		(500)
Non-current lease liabilities	8		<u>(1,047)</u>		<u>(1,258)</u>
			<u>(1,802)</u>		<u>(1,859)</u>
Net assets			<u>8,640</u>		<u>7,724</u>
Capital and reserves					
Share capital	17		3		3
Share premium			3,070		3,070
Retained earnings			5,258		4,426
Shareholders contribution			<u>309</u>		<u>225</u>
Shareholders' funds			<u>8,640</u>		<u>7,724</u>

The notes on pages 11 to 30 form part of these financial statements.

These financial statements were approved by the board of directors on 2nd May 2023 and were signed on its behalf by:


P. Blackmore

Managing Director

Registered number: 1456099

Statement of changes in equity
for the year ended 31 December 2022

	Share capital £000	Share premium £000	Retained earnings £000	Shareholders contributions £000	Total equity £000
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
Balance as at 1 January 2022	3	3,070	4,426	225	7,724
Total comprehensive income					
Profit	-	-	832	-	832
Transactions with owners					
Others	-	-	-	84	84
Balance as at 31 December 2022	3	3,070	5,258	309	8,640

The notes on pages 11 to 30 form part of these financial statements.

Cash Flow Statement
for the year ended 31 December 2022

	Note	2022 £000	2021 £000
Cash flows from operating activities			
Profit for the year		832	1,174
<i>Adjustments for:</i>			
Tax		306	416
Depreciation, amortisation and impairment		1,011	1,202
Provisions		(26)	463
Foreign exchange loss/(profit)		18	(14)
Financial income	6	(362)	(204)
Financial expense	6	56	53
Loss on asset disposal	8 & 10	19	175
Equity settled share-based payment expense		84	78
<i>Changes in:</i>			
Trade and other receivables	12	(449)	175
Inventories	11	(20)	108
Trade and other payables	14	1,028	(358)
Tax paid		(538)	(84)
Net cash from operating activities		1,959	3,184
Cash flows from investing activities			
Acquisition of property, plant and equipment	9 & 10	(1,082)	(1,331)
Net cash used in investing activities		(1,082)	(1,331)
Cash flows from financing activities			
Interest Received		347	204
Interest Paid		(13)	(13)
Debt with group companies		(859)	(1,391)
Payment for lease liabilities	8	(352)	(654)
Net cash used in financing activities		(877)	(1,854)
Net decrease in cash and cash equivalents		-	(1)
Cash and cash equivalents at beginning of year		-	1
Cash and cash equivalents at end of year		-	-

The notes on pages 11 to 30 form part of these financial statements.

Notes to the financial statements for the year ended 31 December 2022

(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 UK-adopted international accounting standards (UK-adopted IFRS). The financial statements are prepared under the historical cost convention. The financial statements are presented in GBP sterling, which is the Company's functional currency.

Going concern

The 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 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 recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items.

- Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

- Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

- Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered to be low value. Lease payments on short term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories is based on a weighted average principle and includes expenditure incurred in acquiring the inventories and other costs in bringing them to their existing location and condition.

Cash and cash equivalents

Cash in the statement of financial position comprises cash at banks and on hand.

The Company participates in a factoring arrangement in which, the Bank settles invoices as they are raised and in turn the Company pays the Bank principal and interest upon settlement from customers. The Company classifies the arrangement as a non-recourse factoring arrangement and the cashflows received in this arrangement are classified under operating cashflows because they relate to day to day operations of the Company. The credit risk lies with the Banks and hence the debtors balances on the statement of financial position have been presented net of factoring cashflows.

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 based on successfully tests at every point in time. 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.

Notes to the financial statements (continued)

1. Accounting policies (continued)

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.

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

- Financial assets

Initial recognition and measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

o Financial assets at amortised cost

A financial asset shall be measured at amortised cost if both of the following conditions are met: it is held within a business model whose objective is to hold assets to collect contractual cash flows; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (OPI).

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

o Financial assets at fair value through other comprehensive income

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met: the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and; the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Derecognition

A financial asset is primarily derecognised when the rights to receive cash flows from the asset have expired, or the Company has transferred its rights to receive cash flows from the asset.

Impairment

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. For trade receivables, the Company applies a simplified approach in calculating ECLs. The Company recognises a loss allowance based on lifetime ECLs at each reporting date and on its historical credit loss experience. The simplified approach requires that the expected losses be recorded from the initial recognition of receivables, so that the Company determines expected credit losses as a probability-weighted estimate of such losses over the expected life of the financial instrument. Due to customers' credit rating, as well as the internal classification systems currently in place for new customers, and considering that collection periods are mostly under 30 days, there is no significant impact for the Company.

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

- Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. For purposes of subsequent measurement, financial liabilities are classified as financial liabilities at fair value through profit or loss and financial liabilities at amortised cost (loans and borrowings).

o Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Offsetting

The offsetting criteria relate to determining whether two or more separate financial instruments should be offset and presented net in the statement of financial position.

Financial assets and financial liabilities are offset and a net amount is presented in the statement of financial position only if both of the following conditions are met: the entity currently has a legally enforceable right to set off the recognised amounts - i.e. a legal right to settle or eliminate all or a portion of an amount due to a creditor by applying against that amount an amount due from the creditor; and the entity has the intention to settle on a net basis; or realise the asset and settle the liability simultaneously.

Determining whether a currently enforceable right to set off exists requires consideration of the terms of the underlying contracts, while when assessing whether there is an intention to settle net, the Company considers its normal business practices, the requirements of financial markets and other circumstances that may limit its ability to settle net.

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.

Current versus non-current classification

The Company classifies assets and liabilities in the statement of financial position as current and non-current. Current assets and liabilities are determined as follows:

- Assets are classified as current when they are expected to be realised or are intended for sale or consumption in the Company's normal operating cycle, they are held primarily for the purpose of trading, they are expected to be realised within twelve months after the reporting date or are cash or a cash equivalent, unless the assets may not be exchanged or used to settle a liability for at least twelve months after the reporting date.

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

- Liabilities are classified as current when they are expected to be settled in the Company's normal operating cycle, they are held primarily for the purpose of trading, they are due to be settled within twelve months after the reporting date or the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Future developments

Standards issued but not effective in 2022:

- o IFRS 17 Insurance Contracts, Amendments to IFRS 17 and Initial Application of IFRS17 and IFRS9 – Comparative information (effective date 1 January 2023)
- o Amendments to IAS1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current and Non-current (effective date to be confirmed)
- o Amendments to IAS 8 Accounting Policies, changes in Accounting Estimates and Errors to introduce a new definition for accounting estimates (effective date 1 January 2023)
- o Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements (effective date 1 January 2023)
- o Amendments to IAS 12 Income Taxes – Deferred Tax related to Assets and Liabilities Arising from a Single Transaction (effective date 1 January 2023).

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 which have been made in the preparation of these financial statements.

Notes to the financial statements (continued)

2. Revenue

(a) Revenue by country

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

	2022 £000	2021 £000
United Kingdom	36,227	39,710
Other	2,565	3,112
	<u>38,792</u>	<u>42,822</u>

Domestic sales are mainly related to blood testing products, equipment or equipment rental. Other countries sales relate to support services that the Company provides to other Group companies for their activity in UK (see note 21).

(b) Revenue by type of good or service

	2022 £000	2021 £000
Goods	32,821	36,911
Services (*)	3,406	2,799
Services to other Group companies	2,565	3,112
	<u>38,792</u>	<u>42,822</u>

(*) Services include price per test revenue in addition to other services. Revenue from price per test is recognized monthly and adjusted the following month based on the number of actual donations provided by the customers.

3. Results from operating activities

	2022 £000	2021 £000
Results from operating activities		
The result from operating activities is stated after charging:		
Auditors' remuneration:		
Audit of these financial statements	59	50
Audit related assurance services	15	13
Depreciation of rights of use	380	610
Depreciation of intangible and tangible fixed assets	631	592
Rentals payable under operating leases	35	25
Net foreign exchange profit or loss	18	(14)
	<u></u>	<u></u>

4. Remuneration of directors

	2022 £000	2021 £000
Directors' emoluments	208	159
Pension contributions	25	24
	<u>233</u>	<u>183</u>

Notes to the financial statements (continued)

4. Remuneration of directors (continued)

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director were £233k (2021: £183k).

The number of directors to whom retirement benefits are accruing under such schemes in respect of qualifying services is one (2021: 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 2022 and 31 December 2021.

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	
	2022	2021
Distribution	37	40
Administration and research	23	23
	<u>60</u>	<u>63</u>

The aggregate payroll costs of these persons were as follows:

	2022	2021
	£000	£000
Wages and salaries	4,230	4,418
Social security costs	530	599
Other pension costs (see note 20)	660	683
	<u>5,420</u>	<u>5,700</u>

6. Finance costs and income

	2022	2021
	£000	£000
Interest income - bank accounts and group loans	362	204
Interest expense - bank accounts and group loans	(24)	(13)
Lease expense (see note 8)	(32)	(40)
	<u>306</u>	<u>151</u>

Notes to the financial statements (continued)

7. Taxation

Analysis of tax expense in the year

	2022 £000	2021 £000
Current tax		
UK Corporation tax on profit for the year	135	380
Adjustments in respect of prior periods	28	-
	<hr/>	<hr/>
Total current tax	163	380
	<hr/>	<hr/>
Deferred tax (see note 16)		
Origination and reversal of timing differences	161	(76)
Adjustments in respect of prior periods	(18)	112
	<hr/>	<hr/>
Total deferred tax	143	36
	<hr/>	<hr/>
Tax on profit (see below)	306	416
	<hr/>	<hr/>

Factors affecting the tax charge for the current year

	2022 £000	2021 £000
Tax reconciliation		
Profit before tax	1,138	1,590
	<hr/>	<hr/>
Tax using the UK Corporation tax rate of 19% (2021: 19%)	216	304
	<hr/>	<hr/>
Effects of:		
Adjustments in respect of prior periods	10	112
Permanent differences	80	-
	<hr/>	<hr/>
Total tax charge (see above)	306	416
	<hr/>	<hr/>

The current UK corporate tax rate that has been used for the period is 19% (2021: 19%). The UK Government announced an increase in the corporation tax rate from 19% to 25% (effective from 1 April 2023), which was substantively enacted on 24 May 2021. Temporary differences measured using the enacted tax rates that are expected to apply when the liability is settled, or the asset realised gives rise to an increase in the deferred tax rate of £64 thousand.

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				
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
At 1 January 2022	2,820	497	6	3,323
Additions	-	58	-	58
Retirements	(845)	(124)	-	(969)
At 31 December 2022	1,975	431	6	2,412
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
At 1 January 2022	1,092	231	6	1,329
Charge for year	224	156	-	380
Retirements	(845)	(109)	-	(954)
At 31 December 2022	471	278	6	755
Net book value				
At 31 December 2022	1,504	153	-	1,657
At 31 December 2021	1,728	266	-	1,994

The Company leases a warehouse and several 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 the corresponding lease liability.

(b) Lease liabilities

	2022 £000	2021 £000
Non-current lease liabilities	1,047	1,258
Current lease liabilities	249	313
	<u>1,296</u>	<u>1,571</u>

Notes to the financial statements *(continued)*

8. Leases *(continued)*

(c) Amounts recognised in profit or loss

	2022 £000	2021 £000
Right-of-use depreciation	380	610
Interest on lease liabilities	32	40
	<u>412</u>	<u>650</u>

(d) Amounts recognised in Cash flow statement

	2022 £000	2021 £000
Total cash outflow for leases	352	654
	<u>352</u>	<u>654</u>

(e) Changes in lease liabilities

	2022 £000	2021 £000
Balance at 1 January	1,571	1,959
Payment of lease liabilities	(352)	(654)
New leases	58	255
Retirements	(13)	(29)
Interest expense	32	40
Balance at 31 December	<u>1,296</u>	<u>1,571</u>

Notes to the financial statements *(continued)*

9. Intangible assets

	Computer software	In progress	Total
	£000	£000	£000
<i>Cost</i>			
At 1 January 2021	169	-	169
Additions	2	68	70
Transfers	14	-	14
	<hr/>	<hr/>	<hr/>
At 31 December 2021	185	68	253
	<hr/>	<hr/>	<hr/>
At 1 January 2022	185	68	253
Additions	6	23	29
Transfers	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2022	191	91	282
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 January 2021	96	-	96
Charge for year	45	-	45
	<hr/>	<hr/>	<hr/>
At 31 December 2021	141	-	141
	<hr/>	<hr/>	<hr/>
At 1 January 2022	141	-	141
Charge for year	31	-	31
	<hr/>	<hr/>	<hr/>
At 31 December 2022	172	-	172
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2022	19	91	110
	<hr/>	<hr/>	<hr/>
At 31 December 2021	44	68	112
	<hr/>	<hr/>	<hr/>

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					
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
At 1 January 2022	571	381	5,117	1,190	7,259
Additions	11	4	997	41	1,053
Disposals	(571)	(184)	(61)	-	(816)
Transfers	1,001	67	-	(1,068)	-
At 31 December 2022	1,012	268	6,053	163	7,496
Depreciation					
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
At 1 January 2022	571	316	4,091	-	4,978
Charge for year	90	30	480	-	600
Disposals	(571)	(183)	(45)	-	(799)
At 31 December 2022	90	163	4,526	-	4,779
Net book value					
At 31 December 2022	922	105	1,527	163	2,717
At 31 December 2021	-	65	1,026	1,190	2,281

Notes to the financial statements (continued)

11. Inventories

	2022 £000	2021 £000
Finished goods and goods for resale	182	162
Inventory allowance	(87)	(88)
	<u>95</u>	<u>74</u>

Inventories recognised as cost of sales in the year amounted to £29,607k (2021: £30,671k).

12. Trade and other receivables

	2022 £000	2021 £000
Trade receivables	3,453	3,284
Amounts owed by group undertakings	7,899	6,803
Other receivables	139	89
Prepayments and accrued income	88	64
Current income tax	103	-
	<u>11,682</u>	<u>10,240</u>

As of 31 December 2022, the cash pooling balance amounted to £6,837 (2021: £5,978).

13. Cash

	2022 £000	2021 £000
Cash at bank	-	-
	<u>-</u>	<u>-</u>

The Company has nil cash balances as at year end because of the revolving credit agreement with Grifols Worldwide Op. Ltd., whereby Grifols UK Ltd. is entitled to borrow cash from Grifols Worldwide Op. Ltd. when needed (up to certain limit) and lend money to Grifols Worldwide Op. Ltd. when it has a cash surplus (see note 12).

14. Trade and other payables

	2022 £000	2021 £000
Trade payables	2,327	1,473
Amounts owed to group undertakings	2,247	1,226
Accruals and deferred income	880	1,113
Social security and other taxes	197	338
Income tax	23	296
Current lease liabilities (see note 8)	249	313
Provisions (see note 15)	-	463
	<u>5,923</u>	<u>5,222</u>

Notes to the financial statements *(continued)*

15. Provisions

	2022 £000	2021 £000
At beginning of year	963	-
Provisions made during the year	-	963
Used during the year	(288)	-
Reversed during the year	(175)	-
Unwinding of discount	11	-
	<u>511</u>	<u>963</u>
At end of year	511	963
Non-current	511	500
Current	-	463
	<u>511</u>	<u>963</u>

16. Deferred tax assets and liabilities

	2022 £000	2021 £000
At beginning of year – liability	101	65
Charge to the profit and loss account	143	36
	<u>244</u>	<u>101</u>
At end of year - liability	244	101

The elements of deferred taxation are as follows:

	2022 £000	2021 £000
Accelerated capital allowances	223	123
Loan Relationship	67	-
Bad debt accrual	(17)	(7)
RSU	(29)	-
Pension	-	(15)
	<u>244</u>	<u>101</u>

17. Called up share capital

	2022 £000	2021 £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.

Notes to the financial statements *(continued)*

18. Contingent liabilities

No contingent liabilities existed at 31 December 2022 (2021: *£nil*).

19. Commitments

(a) There were no capital commitments at the end of the financial year for which no provision has been made (2021: *£nil*).

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

	2022		2021	
	Land and buildings £000	Other £000	Land and Buildings £000	Other £000
Non-cancellable operating lease commitments:				
Within one year	-	2	-	8
In the second to fifth years inclusive	-	-	-	-
	<u>-</u>	<u>2</u>	<u>-</u>	<u>8</u>
	<u>-</u>	<u>2</u>	<u>-</u>	<u>8</u>

20. 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 £659,574 (2021: £682,758)

There were no outstanding or prepaid contributions at either the beginning or end of the financial year (2021: £80,362).

Notes to the financial statements (continued)

21. Related party transactions

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

	2022 £000	2021 £000
<i>Purchase of goods/services from</i>		
Kiro Grifols, S.L.	158	-
Diagnostic Grifols, S.A.	3,373	2,826
Laboratorios Grifols, S.A.	12	1
Grifols International, S.A.	134	67
Medion Grifols Diagnostics AG	259	214
Grifols S.A.	316	273
Grifols Worldwide Oper. Ltd.	25,093	27,061
Grifols Viajes S.A.	23	8
Grifols Shared Services NA Inc	1	1
	<u> </u>	<u> </u>
<i>Sales of goods/services to</i>		
Diagnostic Grifols, S.A.	1,051	1,200
Grifols International, S.A.	432	543
Grifols Worldwide Oper. Ltd.	1,082	1,369
	<u> </u>	<u> </u>
<i>Interest income</i>		
Grifols Worldwide Oper. Ltd.	363	203
	<u> </u>	<u> </u>
<i>Interest expense</i>		
Grifols Worldwide Oper. Ltd.	3	3
	<u> </u>	<u> </u>
<i>Included within current liabilities</i>		
Diagnostic Grifols, S.A.	256	327
Grifols S. A.	28	25
Grifols International, S.A.	8	4
Grifols Viajes, S.A.	8	3
Grifols France S.A.R.L.	(2)	-
Medion Grifols Diagnostics AG	23	18
Grifols Worldwide Oper. Ltd.	1,925	849
	<u> </u>	<u> </u>
<i>Included within current assets</i>		
Diagnostic Grifols, S.A.	93	105
Grifols International, S.A.	25	38
Grifols Worldwide Oper. Ltd.	7,781	6,660
	<u> </u>	<u> </u>

Notes to the financial statements (continued)

22. 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

23. 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.

Details of the contractual maturity dates of the financial liabilities:

	Contractual cash flows				Carrying amount
	2023	2024	2025	2026 and subs. years	
<i>Financial liabilities at 31 December 2022</i>					
Lease liabilities	274	194	181	741	1,296
Trade payables	4,574	-	-	-	4,574
	<u>4,848</u>	<u>194</u>	<u>181</u>	<u>741</u>	<u>5,870</u>

Notes to the financial statements (continued)

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

	Contractual cash flows				
	2022	2023	2024	2025 and subs. years	Carrying amount
<i>Financial liabilities at 31 December 2021</i>					
Lease liabilities	336	269	180	911	1,571
Trade payables	2,699	-	-	-	2,699
	<u>3,035</u>	<u>269</u>	<u>180</u>	<u>911</u>	<u>4,270</u>

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.

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 2022 £000	Impairment 2022 £000	Gross 2021 £000	Impairment 2021 £000
Not past due	2,511	5	1,149	2
Past due 0-30 days	630	1	1,877	4
Past due 31-180 days	323	5	293	29
More than 180 days	-	-	-	-
	<u>3,464</u>	<u>11</u>	<u>3,319</u>	<u>35</u>

Notes to the financial statements *(continued)*

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

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

	2022 £000	2021 £000
Balance at 1 January	35	13
Impairment loss recognised	-	22
Impairment loss reversed	(24)	-
Amounts written off	-	-
Balance at 31 December	11	35

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.

The company did not hold cash and cash equivalents at 31 December 2022 (2021: £30). 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.

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.

Notes to the financial statements *(continued)*

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

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 2022	Sterling £000	Euros £000	Others £000	Total £000
Trade Receivables & Other Receivables	11,017	657	8	11,682
Trade Payables & Other Payables	4,519	50	5	4,574
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

At 31 December 2022 had the pound sterling weakened by 10% against the Euro, with the other variables remaining constant, profit would have been £3,899 lower (£5,041 lower at 31 December 2021).

24. Subsequent events

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