

Grifols UK Limited

Directors' report and financial
statements

Registered number 1456099

31 December 2002



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

Principal activities

The principal activity of the company continues to be the marketing of plasma derivatives.

Business review

Increased sales were due mainly to increased demand for Fanhoi and Flebogamma as product supply problems from 2000 are now finally resolved. The 23% expansion in sales has been achieved with a less than 2% increase in the overall cost base of the business.

In July 2003 the parent undertaking Probitas Pharm, entered into an agreement to purchase a plasma derived production complex in Los Angeles belonging to the American subsidiary of Mitsubishi Pharma Corporation. As part of this acquisition, the UK licences will transfer to Probitas Pharma, with the related sales being undertaken by Grifols UK Ltd.

Research and development

Research and development activities for the products sold by the company are directed primarily by group manufacturing companies.

Proposed dividend

The directors propose a final dividend of £2,000,000 (2001: £1,412,000).

Directors and directors' interests

The directors who held office during the year were as follows:

V Grifols Roura (Chairman)

B Barber (Managing Director and Company Secretary)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company or any other group company.

Political and charitable contributions

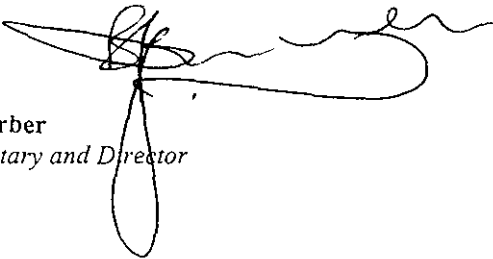
The company made no political contributions or donations during the year.

Directors' report *(continued)*

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the board


B Barber
Secretary and Director

72 St Andrew's Road
Cambridge
CB4 1GS

Date: 22.9.03

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

37 Hills Road

Cambridge

CB1 2XL

Independent auditors' report to the members of Grifols UK Limited

We have audited the financial statements on pages 4 to 19.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

Chartered Accountants

Registered Auditor

15 OCT 2003

Profit and loss account
for the year ended 31 December 2002

	<i>Note</i>	2002 £000	2001 £000
Turnover	2	24,884	20,255
Cost of sales		(18,901)	(15,400)
Gross profit		5,983	4,855
Distribution costs		(1,999)	(1,434)
Administrative expenses		(1,565)	(2,069)
Operating profit		2,419	1,352
Other interest receivable and similar income	6	8	66
Profit on ordinary activities before taxation	2-5	2,427	1,418
Tax on profit on ordinary activities	7	(785)	(460)
Profit on ordinary activities after taxation		1,642	958
Dividend on equity shares		(2,000)	(1,412)
Retained (loss) for the year		(358)	(454)

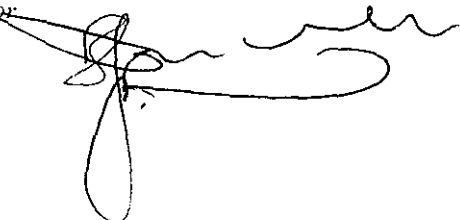
All profits arise from continuing operations.

Balance sheet
at 31 December 2002

	<i>Note</i>	2002 £000	2001 £000
Fixed assets			
Tangible assets	8	1,469	1,574
Current assets			
Stocks	9	4,632	2,096
Debtors	10	4,858	3,818
Cash at bank and in hand		189	788
		<u>9,679</u>	<u>6,702</u>
Creditors: amounts falling due within one year	11	<u>(5,348)</u>	<u>(2,125)</u>
Net current assets		<u>4,331</u>	<u>4,577</u>
Total assets less current liabilities		<u>5,800</u>	<u>6,151</u>
Provisions for liabilities and charges	12	<u>(7)</u>	<u>-</u>
Net assets		<u>5,793</u>	<u>6,151</u>
Capital and reserves			
Called up share capital	13	3	3
Share premium account	14	3,070	3,070
Profit and loss account	14	2,720	3,078
		<u>5,793</u>	<u>6,151</u>

These financial statements were approved by the board of directors on 22.12.03 and were signed on its behalf by:

B Barber
Director



V Grifols Roura
Director



Cash flow statement

for the year ended 31 December 2002

	Note	2002 £000	2001 £000
Reconciliation of operating profit to net cash flow from operating activities			
Operating profit/(loss)		2,419	1,352
Depreciation		284	231
Increase/(decrease) in stocks		(2,536)	1,118
(Increase) in debtors		(1,040)	(661)
(Decrease)/increase in creditors		1,022	(764)
Disposal of fixed asset		2	-
		<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities		151	1,276
		<hr/>	<hr/>
Cash flow statement			
Cash flow from operating activities		151	1,276
Returns on investments and servicing of finance	19	8	67
Taxation		(578)	(207)
Capital expenditure and financial investment	19	(180)	1,769
Dividend paid		-	(2,669)
		<hr/>	<hr/>
Increase/(decrease) in cash in the period		(599)	236
		<hr/>	<hr/>
Reconciliation of net cash flow to movement in net funds			
	20		
Increase/(decrease) in cash in the period		(599)	236
		<hr/>	<hr/>

Statement of total recognised gains and losses
for the year ended 31 December 2002

	2002 £000	2001 £000
Profit/(loss) for the financial year	1,642	958
Total recognised gains and losses relating to the financial year	1,642	958

Note of historical cost profits and losses
for the year ended 31 December 2002

	2002 £000	2001 £000
Reported profit/(loss) on ordinary activities before taxation	2,427	1,418
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	2	2
Historical cost profit/(loss) on ordinary activities before taxation	2,429	1,420
Historical cost profit/(loss) for the year retained after taxation	1,644	971

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2002

	2002 £000	2001 £000
Profit/(loss) for the financial year	1,642	958
Dividends – proposed/paid	(2,000)	(1,412)
Net movement in shareholders' funds	(358)	(454)
Opening shareholders' funds	6,151	6,605
Closing shareholders' funds	5,793	6,151

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements. The company has adopted FRS 17 'Retirement benefits', in these financial statements. No restatement of the comparative figures is required.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules, modified to include the revaluation of land and buildings.

Fixed assets and depreciation

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	3% per annum on valuation
Warehouse plant and equipment	-	10%
Fixtures and fittings	-	10%
Computer equipment	-	25%
Leasehold buildings	-	10%
Motor vehicles	-	16%
Equipment on loan	-	33%

No depreciation is provided on freehold land.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post-retirement benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Research and development expenditure

Expenditure on research and development is written off against profits in the year in which it is incurred.

Notes (continued)

Accounting policies (continued)

Stocks

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

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

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

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

Cash

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

FRS 8 exemption

The company has taken advantage of the exemption available under Financial Reporting Standard 8 for 90% owned subsidiaries not to disclose transactions with other entities which are part of the group.

2 Analysis of turnover

	2002	2001
	Turnover	Turnover
	£000	£000
United Kingdom	22,269	18,144
Europe	2,615	2,068
North America	-	43
	<hr/>	<hr/>
	24,884	20,255
	<hr/>	<hr/>

Notes (continued)

3 Profit on ordinary activities before taxation

	2002 £000	2001 £000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration:		
Audit	14	16
Other services	38	12
Depreciation and other amounts written off tangible fixed assets:	284	231
Hire of leasehold building- rentals payable under operating lease	223	223
Hire of other assets - operating leases	123	127
Net foreign exchange (gain)/charge	(18)	101
	<u> </u>	<u> </u>

4 Remuneration of directors

	2002 £000	2001 £000
Directors' emoluments	253	245
	<u> </u>	<u> </u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £253,318 (2000: £245,317).

Retirement benefits are accruing to the following number of directors under:

	2002	2001
Money purchase schemes	1	1
	<u> </u>	<u> </u>

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the company (including director) during the year, analysed by category, was as follows:

	Number of employees	
	2002	2001
Distribution	22	22
Administration and research	14	17
	<hr/>	<hr/>
	36	39
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2002	2001
	£000	£000
Wages and salaries	1,452	1,334
Social security costs	149	166
Other pension costs	172	170
	<hr/>	<hr/>
	1,773	1,670
	<hr/>	<hr/>

6 Other interest receivable and similar income

	2002	2001
	£000	£000
Receivable from group undertakings	-	28
Interest on deposits	8	22
Service income	-	16
	<hr/>	<hr/>
	8	66
	<hr/>	<hr/>

Notes (continued)

8 Tangible fixed assets

	Freehold land and buildings	Fixtures, fittings, plant and equipment	Motor vehicles	Software	Leasehold land and buildings	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
At beginning of year	314	1,281	17	51	975	2,638
Additions	-	163	-	-	25	188
Disposals	-	(229)	-	-	-	(229)
At end of year	314	1,215	17	51	1,000	2,597
Depreciation						
At beginning of year	62	824	11	49	118	1,064
Charge for year	5	175	3	1	100	284
Disposals	-	(219)	-	-	-	(219)
At end of year	67	780	14	50	218	1,129
Net book value						
At 31 December 2002	247	435	3	1	782	1,468
At 31 December 2001	252	457	6	2	857	1,574

Freehold land and buildings were revalued on an open market basis on 31 March 1994.

Particulars relating to revalued assets are given below:

	2002 £000	2001 £000
Land and buildings		
At 1994 open market value and subsequent additions	314	314
Aggregate depreciation thereon	(67)	(62)
Net book value	247	252
Historical cost of revalued assets	342	342
Aggregate depreciation based on historical cost	(224)	(220)
Historical cost net book value	118	122

Other tangible fixed assets, including additions subsequent to the revaluation of land and buildings, are included at cost.

Notes (continued)

9 Stocks

	2002 £000	2001 £000
Finished goods and goods for resale	4,632	2,096

10 Debtors

	2002 £000	2001 £000
Trade debtors	4,683	3,588
Amounts owed by group undertakings	7	73
Other debtors	10	11
Prepayments and accrued income	158	146
	4,858	3,818

Debtors include £177,230 (2001: £116,552) due after more than one year.

11 Creditors: amounts falling due within one year

	2002 £000	2001 £000
Trade creditors	114	124
Corporation tax	423	223
Dividend proposed	2,000	-
Amounts owed to group undertakings	2,441	1,326
Social security and other taxes	74	119
Accruals and deferred income	296	333
	5,348	2,125

Notes (continued)

12 Provisions for liabilities and charges

Deferred taxation

	2002 £000	2001 £000
At the beginning of the period	-	-
Provided in period	7	-
	<hr/>	<hr/>
At the end of the period	7	-
	<hr/>	<hr/>

The elements of deferred taxation are as follows:

	2002 £000 Provided	2002 £000 Unprovided	2001 £000 Provided	2001 £000 Unprovided
Difference between accumulated depreciation and capital allowances	7	-	-	44
	<hr/>	<hr/>	<hr/>	<hr/>
Undiscounted provision	7	-	-	44
	<hr/>	<hr/>	<hr/>	<hr/>
Deferred tax liability	7	-	-	44
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

13 Called up share capital

	2002 £000	2001 £000
<i>Authorised</i>		
Equity: Ordinary shares of £1 each	3	3
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Equity: Ordinary shares of £1 each	3	3
	<hr/>	<hr/>

14 Share premium and reserves

	Share premium account £000	Profit and loss account £000
At beginning of year	3,070	3,078
Retained loss for the year	-	(358)
	<hr/>	<hr/>
At end of year	3,070	2,720
	<hr/>	<hr/>

15 Contingent liabilities

No contingent liabilities existed at 31 December 2002 (2001: £nil).

16 Commitments

- (a) There were no capital commitments at the end of the financial year for which no provision has been made.
- (b) Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings £000	2002 Other £000	Land and buildings £000	2001 Other £000
Operating leases which expire:				
Within one year	-	31	-	34
In the second to fifth years inclusive	-	99	-	162
Over five years	223	-	223	-
	<hr/>	<hr/>	<hr/>	<hr/>
	223	130	223	196
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

17 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the fund and amounted to £171,453 (2001: £169,807).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

18 Analysis of cash flows

	2002		2001
	£000	£000	£000
Returns on investment and servicing of finance			
Interest received	8	67	
Interest paid	-	-	
	<u>8</u>	<u>67</u>	
Capital expenditure and financial investment			
Purchase of tangible fixed assets	(188)	(300)	
Group loans repaid	-	2,069	
	<u>(180)</u>	<u>1,769</u>	

19 Analysis of net funds

	At beginning of year £000	Cash flow £000	At end of year £000
Cash in hand, at bank	788	599	189

20 Post balance sheet event

In July 2003 the parent undertaking Probitas Pharm, entered into an agreement to purchase a plasma derived production complex in Los Angeles belonging to the American subsidiary of Mitsubishi Pharma Corporation. As part of this acquisition, the UK licences will transfer to Probitas Pharma, with the related sales being undertaken by Grifols UK Ltd.

Notes (continued)

21 Parent company

The company is a subsidiary undertaking of Probitas Pharma SA incorporated in Spain.

The results of the company are consolidated into the group headed by Probitas Pharma SA, whose consolidated accounts are available to the public and may be obtained from:

Probitas Pharma SA
Poligono Levante, Can Guasch 2
08150 Parets del Valles
Barcelona
Spain