

Diaverum UK Limited
Annual report
for the year ended 31 December 2012

Registered Number 06614923

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Diaverum UK Limited

Annual report

for the year ended 31 December 2012

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Diaverum UK Limited

Directors and advisers for the year ended 31 December 2012

Directors

Dag Olov Andersson Tilk
Michael Hartnett
Magnus Anders Olof Sjöholm

Secretary

Rysaffe Secretaries
Lion House
Red Lion Street
London
WC1R 4GB

Auditors

KPMG
100 Hills Road
Botanic House
Cambridge
CB2 1AR

Registered office

5 Holywell Hill
St Albans
Hertfordshire
AL1 1EU

Diaverum UK Limited

Directors' report for the year ended 31 December 2012

The directors present their report and the audited financial statements of the company for the year ended 31 December 2012

Principal activities and business review

The company's principal activity during the year was the provision of renal care in dialysis clinics

Review of business and future developments

The company's core purpose is to save lives and improve the quality of life for the people it serves. Our business provides this through direct provision of dialysis care and treatment to chronic renal failure patients in our own dialysis clinics. We hold contracts with acute NHS Trusts, who refer patients to us and provide medical supervision via their renal doctors. Our contracts for this service provision typically are agreed for a seven to ten-year term. Prices are set per treatment, and payment is made each month based on the total number of treatments conducted.

Business is secured through a process of open competitive tender. At the end of each contract term the NHS has the option to market test through an open tender process and thus may potentially change provider. Opportunities for growth are therefore twofold as we can apply for both completely new services and contracts renewals of existing services, where nursing staff delivering the services typically transfer to Diaverum under TUPE rules.

Our business portfolio includes nine operational clinics, treating 679 patients. In May 2012, after a successful tender award, we implemented a new permanent dialysis service in Nottingham, following the expiry of the temporary contract we had performed since January 2010.

2012 was another positive year of development for the business. In addition to opening our new permanent service in Nottingham, we secured new contracts for three of our other services, following expiration of previous contracts and re-tender processes. Our success rate in tenders continues to be high, due to a number of factors, including positive references from existing customers, competitive financial offer, and innovation.

One key challenge is that current financial pressures within the NHS are making the market much more competitive and it is unlikely that this situation will change in the near future. NHS trusts tend to evaluate the tender proposals focusing mainly on affordability and value for money. However they do also focus on patient outcomes and added value services, which are the areas in which we aim to develop our value proposition.

Our contracts do generally provide for an annual inflationary increase in the revenues but this only provides coverage for our increases in cost, and not profit improvement. The keys to our success in improving profitability for the business are twofold: (i) gaining additional patients through either new clinics or growth in existing clinics, thus providing more revenue per £ of overhead, and (ii) operational efficiencies and cost reduction programmes.

Results and dividends

The company's loss after tax for the financial year is £645,343 (2011 £881,594). The results and year-end financial position were satisfactory given the level of activity in the year. The directors do not propose the payment of a dividend (2011 £nil).

During the year, 5 operational clinics which had contracts with Diaverum UK Limited were transferred to managed contracts. As a result, the facilities element of the contracts were transferred to Diaverum Facilities Management Limited, and assets with a net book value of £827,563 were transferred from Diaverum UK Limited to Diaverum Facilities Management Limited at this same value.

Political and charitable contributions

The company made no political contributions during the year (2011 £nil). The company made charitable donations of £6,250 during the year (2011 £nil).

Diaverum UK Limited

Directors' report for the year ended 31 December 2012 (*continued*)

Principal risks and uncertainties

Our market is increasingly under pressure to consistently provide value for money to the NHS, whilst providing the highest medical quality to our patients, recruiting and retaining high quality nursing staff. Our key challenge is to continue to provide good value for money while maintaining our high quality standards, and this balance will be facilitated by our success at growing our patient base.

Key performance indicators ("KPIs")

The Company's management evaluates performance on an on-going basis paying attention to a large number of performance criteria. Included within this review are a number of Medical Quality KPIs, which are closely monitored through our patient data collection, to ensure we provide the highest quality dialysis treatment (For example, KT/V, Albumin, Calcium, Haemoglobin, etc).

During 2012 revenue per treatment was £44.11 (2011 £48.99), and the volume of treatments was 101,133 (2011 91,617). The fall in revenue per treatment was as a result of transferring 5 operational clinics to managed service contracts, as a result of which revenue was apportioned between the 2 operating companies in the UK, Diaverum UK Limited and Diaverum Facilities Management Limited. Performance in 2013 is also expected to improve. The directors believe that continuing to focus on the above whilst recognising the need to remain dynamic and adaptable in its assessment of business opportunities will continue to produce a good level of performance.

Directors and their interests

The directors who served during the year are set out on page 1.

None of the directors held an interest in the share capital of the company at any time during the year.

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of liquidity and interest rate risk.

- i) *Credit risk* – The directors do not consider that the company is exposed to any significant credit risk as the company provides clinic services to the NHS.
- ii) *Liquidity and interest rate risk* – the liquidity and interest rate risk is managed on behalf of the company by its parent company.

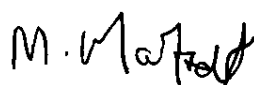
Provision of information to auditors

So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware. Each director has taken all the steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



M Hartnett
Director

Diaverum UK Limited

Statement of directors' responsibilities in respect of the Annual Report and the Financial Statements

The directors are responsible for preparing 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 Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 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 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

100 Hills Road
Botanic House
Cambridge
CB2 1AR
United Kingdom

Independent auditors' report to the members of Diaverum UK Limited

We have audited the financial statements of Diaverum UK Limited for the year ended 31 December 2012 set out on pages 7 to 18. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 auditors' 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

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditors' report to the members of Diaverum UK Limited *(continued)*

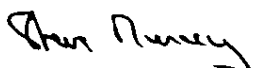
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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



Steve Muncey (Senior Statutory Auditor)
for and on behalf of KPMG LLP Statutory Auditor
Chartered Accountants
100 Hills Road
Botanic House
Cambridge
CB2 1AR

Date *5 August 2013*

Diaverum UK Limited

Profit and loss account for the year ended 31 December 2012

	Note	2012 £	2011 £
Turnover	2	4,460,870	4,487,904
Cost of sales		(4,405,372)	(4,121,118)
Gross profit		55,498	366,786
Operating expenses	3	(699,574)	(1,244,228)
Loss on ordinary activities before interest and taxation		(644,076)	(877,442)
Interest payable and similar charges	7	(1,267)	(7,534)
Loss on ordinary activities before taxation	4	(645,343)	(884,976)
Tax on loss on ordinary activities	8	-	3,382
Retained loss for the financial year		(645,343)	(881,594)

All amounts relate to continuing operations. There were no recognised gains and losses for 2012 or 2011 other than those included in the profit and loss account.

Diaverum UK Limited

Balance sheet as at 31 December 2012

	Note	2012 £	2011 £
Fixed assets			
Intangible assets	9	2,635	4,071
Tangible assets	10	11,733	16,811
		14,368	20,882
Current assets			
Debtors (including £567,857 (2011 £167,211) due after more than 1 year)	12	1,147,600	717,556
Cash at bank and in hand		116	229,763
		1,147,716	947,319
Creditors amounts falling due within one year	13	(578,036)	(480,729)
Net current assets		569,680	466,590
Total assets less current liabilities		584,048	487,472
Creditors: amounts falling due in more than one year	14	-	(1,258,081)
Net assets/(liabilities)		584,048	(770,609)
Capital and reserves			
Called up share capital	17	3,500,001	1,500,001
Profit and loss account	18	(2,915,953)	(2,270,610)
Shareholders' funds/(deficit)	19	584,048	(770,609)

The notes on pages 9 to 18 form part of these financial statements

These financial statements were approved by the board of directors on 5 August 2013 and were signed on its behalf by



M Hartnett
Director

Company Number 06614923

Diaverum UK Limited

Notes to the accounts for the year ended 31 December 2012

1 Principal accounting policies

These accounts have been prepared in accordance with applicable accounting standards in the United Kingdom. The directors, in accordance with Financial Reporting Standard 18, "Accounting Policies" ("FRS 18"), confirm that the accounting policies used by the company are the most appropriate, consistently applied and adequately disclosed. A summary of the more important accounting policies is set out below.

Basis of accounting

The accounts are drawn up in accordance with the historical cost convention and on a going concern basis.

Going concern

The financial statements have been prepared on a going concern basis. The Directors believe it to be appropriate to prepare the accounts on a going concern basis as the shareholders of Diaverum Holding S a r l have provided the company with an undertaking that for at least a period of 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company to continue its activities in operating dialysis clinics. As with any company placing reliance on other 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.

Consolidated accounts and cash flow statement

The company is included in the consolidated financial statements of Diaverum S a r l, which are publicly available. These accounts are therefore not prepared on a consolidated basis. The company has also taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1, "Cash Flow Statements" (revised 1996).

Intangible fixed assets and amortisation

Intangible fixed assets purchased separately from a business or constructed by the company are capitalised at their cost. These assets are amortised to nil by equal annual instalments over their useful economic lives.

Fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Leasehold improvements and equipment - over the lease term

Plant, machinery and exhibition machines - 3 to 10 years

Motor vehicles and computer equipment - 3 years

Capitalised monitors - over the contract life

Stock

Stock, which comprises goods held for resale only, is valued at the lower of cost and net realisable value. Provision is made for obsolete, slow-moving or defective items where appropriate.

Diaverum UK Limited

Notes to the accounts for the year ended 31 December 2012

1 Principal accounting policies *(continued)*

Foreign currencies

Transactions denominated in foreign currencies have been translated into sterling at actual rates of exchange ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Exchange differences are taken to the profit and loss account.

Financial instruments

Fixed rate loans are initially stated at the amount of net consideration received. Finance costs are charged to the profit and loss account over the term of the borrowing and represent a constant proportion of capital repayment outstanding.

Operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

Taxation

The credit/charge for taxation is based on the loss/profit for the year and takes into account deferred taxation. Provision is made for deferred taxation in accordance with FRS 19, "Deferred Taxation", on all material timing differences. Deferred tax assets are recognised to the extent that they are regarded as recoverable. Deferred tax assets and liabilities are not discounted.

Pension commitments

The company provides pension benefits for employees through defined contribution schemes operated by insurance companies. Premiums are paid as required by the insurers and charged to the profit and loss account on an accruals basis. The company had no employees during the year.

2 Turnover

Turnover from patient treatments is recognised in the period in which the treatment is performed. Turnover originates in the United Kingdom and represents net sales to customers excluding value added tax. Turnover is attributable to one activity within the United Kingdom, the provision of renal care in dialysis clinics.

All sales are made to the United Kingdom.

Diaverum UK Limited

Notes to the accounts for the year ended 31 December 2012

3 Operating expenses

	2012 £	2011 £
Facilities operating costs	699,574	1,244,228

4 Loss on ordinary activities before taxation

The loss on ordinary activities before taxation is stated after charging

	2012 £	2011 £
Depreciation of tangible fixed assets	10,506	65,071
Amortisation	1,436	1,940
Operating lease charges	41,858	46,459
Auditors' remuneration		
- audit services	10,000	10,000
- taxation services	5,761	15,745
- other services (KPMG London)	—	3,780

5 Directors' emoluments

The aggregate emoluments of the directors of the company are set out below

	2012 £	2011 £
Aggregate emoluments in respect of qualifying services	149,762	122,817

During the current year no directors received shares in respect of qualifying services (2011 £nil) and no directors exercised share options (2011 £nil). No directors are members of defined benefit pension schemes (2011 £nil).

Diaverum UK Limited

Notes to the accounts for the year ended 31 December 2012

6 Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was

By activity:	2012 Number	2011 Number
Nursing staff	136	135
Healthcare assistants	22	24
Administration	9	9
	167	168

Staff costs (for the above persons):	2012 £	2011 £
Wages and salaries	3,774,571	3,743,498
Social security costs	356,887	364,800
Other pension costs (see note 22)	194,616	171,542
	4,326,074	4,279,840

7 Interest payable and similar charges

	2012 £	2011 £
Interest payable on amounts due to group undertakings	1,267	7,534

Diaverum UK Limited

Notes to the accounts for the year ended 31 December 2012

8 Tax on loss on ordinary activities

Analysis of the tax (credit)/charge for the year:	2012 £	2011 £
Current tax:		
Corporation taxation charge	-	-
Total current tax	-	-
Deferred tax:		
Origination of timing differences	-	(3,132)
Effect of decrease in tax rate on opening balance	-	(250)
Tax on loss on ordinary activities	-	(3,382)
Factors affecting the tax (credit)/charge	2012 £	2011 £
Loss on ordinary activities before tax	(645,343)	(884,976)
Loss on ordinary activities multiplied by standard rate in the UK 24.5% (2011 26.5%)	(158,109)	(234,458)
Effects of		
Expenses not deductible for tax purposes	18,992	4,799
Group relief surrendered	144,618	214,875
Capital allowances less than/(in excess of) depreciation	(755)	13,735
Other short term timing differences	(4,746)	1,049
Current tax charge for the year	-	-

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. This will reduce the company's future current tax charge accordingly.

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge.

Diaverum UK Limited

Notes to the accounts for the year ended 31 December 2012

9 Intangible assets

	Software £
Cost	
At 31 December 2011 and 31 December 2012	5,028
Accumulated amortisation	
At 31 December 2011	(957)
Charge for the year	(1,436)
At 31 December 2012	(2,393)
Net book value	
At 31 December 2012	2,635
At 31 December 2011	4,071

Diaverum UK Limited

Notes to the accounts for the year ended 31 December 2012

10 Tangible assets

	Plant, machinery, computers and exhibition equipment £
Cost	
At 31 December 2011	29,409
Additions	5,428
At 31 December 2012	34,837
Accumulated depreciation	
At 31 December 2011	(12,598)
Charge for the year	(10,506)
At 31 December 2012	(23,104)
Net book value	
At 31 December 2012	11,733
At 31 December 2011	16,811

Diaverum UK Limited

Notes to the accounts for the year ended 31 December 2012

12 Debtors

	2012 £	2011 £
Trade debtors	491,443	386,211
Prepayments and accrued income	49,514	33,193
Amounts due from group undertakings within one year	38,746	130,941
Amounts due from group undertakings after more than one year	567,897	167,211
	<u>1,147,600</u>	<u>717,556</u>

13 Creditors: amounts falling due within one year

	2012 £	2011 £
Trade creditors	41,444	79,706
Amounts due to group undertakings	129,579	-
Other creditors and accruals	407,013	401,023
	<u>578,036</u>	<u>480,729</u>

14 Creditors: amounts falling due after more than one year

	2012 £	2011 £
Amounts due to group undertakings	-	1,258,081

15 Maturity of debt

	2012 £	2011 £
In more than one year but not more than two years	-	1,258,081

Diaverum UK Limited

Notes to the accounts for the year ended 31 December 2012

16 Deferred tax

The elements of unrecognised deferred tax are as follows:

	2012 £	2011 £
Tax effect of timing differences because of		
Fixed asset timing differences	8,334	9,830
Losses in period carried forward	-	-
Other losses carried forward	561,946	610,811
Other timing differences	-	4,843
Unrecognised deferred tax asset	<u>570,280</u>	<u>625,484</u>

Deferred taxation is calculated using the rate of 23% (2011 25%)

17 Called up share capital

	2012 £	2011 £
Authorised		
3,500,001 ordinary shares of £1 each	<u>3,500,001</u>	<u>1,500,001</u>
Issued, allotted, called up and fully paid		
3,500,001 ordinary shares of £1 each	<u>3,500,001</u>	<u>1,500,001</u>

During the year the company issued 2,000,000 ordinary shares at £1 par value to Diaverum UK Holding Limited via an intercompany

18 Reserves

	Profit and loss account £
At 1 January 2012	(2,270,610)
Retained loss for the financial year	<u>(645,343)</u>
At 31 December 2012	<u>(2,915,953)</u>

Diaverum UK Limited

Notes to the accounts for the year ended 31 December 2012

19 Reconciliation of movement in shareholders' funds

	£
Shareholders' deficit as at 1 January 2012	(770,609)
Loss for the year	(645,343)
Share issue	2,000,000
Shareholders' deficit as at 31 December 2012	584,048

20 Related Party Disclosure

The company has taken advantage of exemptions conferred by UK Accounting Standard FRS 8, as a wholly owned subsidiary undertaking, from disclosure of transactions with other group undertakings

21 Financial commitments

At 31 December 2012, the company had annual commitments under non-cancellable operating leases expiring as follows

	2012		2011	
	Land and buildings £	Other £	Land and buildings £	Other £
Expiring in under 1 year	46,008	16,276	106,537	16,513
Expiring in 2 – 5 years	103,419	12,215	176,611	18,984
Expiring in over 5 years	243,876	-	333,503	-

22 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 scheme and amounted to £194,616 (2011 £171,542). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

23 Ultimate parent undertaking

The parent undertaking in the UK is Diaverum Holding UK Ltd, who are not required to prepare group accounts. Diaverum Holding Sarl, a company incorporated in Luxembourg is the parent company of Diaverum Holding UK Ltd. Group accounts for Diaverum Holding Sarl are available by requesting them from their Registered office L-1331 Luxembourg, 65, Boulevard Grande-Duchesse Charlotte, RCS Luxembourg B 68 235. The ultimate parent undertaking is Diaverum Sarl, a company controlled by Bridgepoint Capital, who purchased the entire share capital from Gambro AB on 2nd July 2007.