

**Diaverum UK Limited**  
**Annual report**  
**for the year ended 31 December 2009**

**Registered Number 6614923**

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# **Diaverum UK Limited**

## **Annual report**

### **for the year ended 31 December 2009**

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# **Diaverum UK Limited**

## **Directors and advisers for the year ended 31 December 2009**

### **Directors**

Dag Olov Andersson Tilk  
Michael Hartnett  
Lars-Borje Nilsson

### **Secretary**

Rysaffe Secretaries  
Lion House  
Red Lion Street  
London  
WC1R 4GB

### **Auditors**

KPMG  
37 Hills Road  
Cambridge  
CB2 1XL

### **Registered office**

5 Holywell Hill  
St Albans  
Hertfordshire  
AL1 1EU

# **Diaverum UK Limited**

## **Directors' report for the year ended 31 December 2009**

The directors present their report and the audited financial statements of the company for the year ended 31 December 2009

### **Principal activities and business review**

The company was incorporated on 9<sup>th</sup> June 2008, as a wholly owned subsidiary of Velox Bidco Sarl, a company incorporated in Luxembourg

The purpose of incorporation was to facilitate the restructure of the UK business, the aim of which was to operate through a Holding Company and two separate subsidiaries in the UK. This would have the advantage of separating the provision of renal care and ancillary services into two separate entities

On 31<sup>st</sup> December 2008 Diaverum UK Limited undertook a share for share exchange whereby it issued its own shares to Velox Bidco Sarl in exchange for shares in Diaverum Holding UK Limited. There was no financial consideration for the exchange

Diaverum UK Ltd then purchased shares of Diaverum Facilities Management Limited, a company also incorporated on 9<sup>th</sup> June 2008, by way of an intercompany account. On 31<sup>st</sup> December 2008 the trade and remaining assets and liabilities of Diaverum UK Limited were hived down to Diaverum Holding UK Limited

Finally, in January 2009 Diaverum UK Limited and Diaverum Holding UK Ltd switched names. Under the new structure, Diaverum UK Limited (as was) became the new Holding company in the UK. Diaverum UK Limited (formerly Diaverum Holding UK Ltd) will be the trading company

### **Review of business and future developments**

The company's core purpose is to save lives and improve the quality of life for the people we serve

Our business provides this through direct provision of dialysis care and treatment to chronic renal failure patients in our own dialysis clinics. The Parent Hospital Trust refers patients directly to the clinic. 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 developments and contracts renewals of existing centres

Our business portfolio includes four operational clinics, treating 323 patients

The market is under increasing pressure from a number of drivers. There is historic under provision of dialysis capacity in the UK, which compares unfavourably with other EU countries. Additionally the market is seeing an increased demand for treatment due to the ageing population and increased ethnicity. There is a three to four-fold increase in the incidence of renal failure in Afro-Caribbean and Asian populations

Added to this demand there is little growth in transplantation and no growth in provision / uptake of patients onto peritoneal dialysis which is a home based therapy. Thus expansion of the market is all currently focused on increased haemodialysis provision and typically the current trend is for this to be outsourced to the private sector

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

# **Diaverum UK Limited**

## **Directors' report for the year ended 31 December 2009 (continued)**

profitability for the business are twofold (i) gaining additional patients through either new clinics or growth in existing clinic, 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 £590,372 (2009 £139,557 profit) 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

### **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 As we move forward with our new company owners and marketing brand, our challenge will be growth of clinics to meet the demands of the NHS

### **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 2009 revenue per treatment was £105.58 (2008 £91.20), and the volume of treatments was 45,043 (2008 51,087) Performance in 2010 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 (such as making enquiries of other directors and the auditors and any other steps required by the director's duty to exercise due care, skill and diligence) 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

## **Diaverum UK Limited**

### **Directors' report for the year ended 31 December 2009 (continued)**

#### **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**

A handwritten signature in black ink, appearing to read 'M. Hartnett', with a stylized flourish at the end.

**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

37 Hills Road  
Cambridge  
CB2 1XL  
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<sup>st</sup> December 2009 set out on pages 8 to 19. 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 5, 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 APB's web-site at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

### **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 2009 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.

### **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.



## **Diaverum UK Limited**

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

#### **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*

**Steve Muncey (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP Statutory Auditor**  
Chartered Accountants  
37 Hills Road  
Cambridge  
CB2 1XL

*3 November 2010*

## Diaverum UK Limited

### Profit and loss account for the year ended 31 December 2009

	Note	2009 £	2008 £
Turnover	2	4,755,668	-
Cost of sales		(3,387,011)	-
Gross profit		1,368,657	-
Profit on the sale of investment		-	139,557
Operating expenses	3	(1,857,614)	-
(Loss)/ profit on ordinary activities before interest and taxation		(488,957)	139,557
Interest receivable and similar income	7	328	-
Interest payable and similar charges	8	(101,743)	-
(Loss)/ profit on ordinary activities before taxation		(590,372)	139,557
Tax credit on ordinary activities	9	-	-
Retained result for the financial year		(590,372)	139,557

The company has no recognised gains and losses other than those included above and therefore no separate statement of total recognised gains and losses has been presented

All of the above activities relate to continuing operations

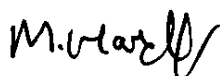
# Diaverum UK Limited

## Balance sheet as at 31 December 2009

	Note	2009 £	2008 £
<b>Fixed assets</b>			
Tangible assets	10	703,587	858,856
<b>Current assets</b>			
Stocks	11	107,121	83,658
Debtors (including £197,793 (2008 £197,793) due in more than one year	12	643,169	595,723
Cash at bank and in hand		298,591	169,052
		1,048,881	848,433
<b>Creditors: amounts falling due within one year</b>	13	(348,517)	(1,056,150)
<b>Net current assets / (liabilities)</b>		700,364	(207,717)
<b>Total assets less current liabilities</b>		1,403,951	651,139
<b>Creditors: amounts falling due in more than one year</b>	14	(1,854,765)	(511,581)
<b>Net (liabilities) / assets</b>		(450,814)	139,558
<b>Capital and reserves</b>			
Called up share capital		1	1
Profit and loss account	16	(450,815)	139,557
<b>Shareholders' (deficit) / funds</b>	19	(450,814)	139,558

The financial statements on pages 8 to 19 were approved by the board of directors on and were signed on its behalf by

3/11/10



**M Hartnett**  
Director

Company Number 6614923

# Diaverum UK Limited

## Notes to the accounts for the year ended 31 December 2009

### 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, notwithstanding net liabilities of £450,814 at 31 December 2009. The Directors believe it to be appropriate to prepare the accounts on a going concern basis as the shareholders of Diaverum AB 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).

#### **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 2009**

### **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 charge for Taxation is based on the 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 2009

#### 3 Operating expenses

	2009 £	2008 £
Facilities operating costs	1,857,614	-
Administrative expenses	-	-
	<b>1,857,614</b>	<b>-</b>

#### 4 Loss on ordinary activities before taxation

The loss on ordinary activities before taxation is stated after charging

	2009 £	2008 £
Depreciation of tangible fixed assets		
- owned assets	275,240	-
Operating lease charges		
- other	15,516	-
Auditors' remuneration		
- audit services	26,398	-
- taxation services	8,000	-

#### 5 Directors' emoluments

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

	2009 £	2008 £
Aggregate emoluments in respect of qualifying services	96,285	-

No retirement benefits are accruing to Directors (2008 nil) under money purchase pension schemes

# Diaverum UK Limited

## Notes to the accounts for the year ended 31 December 2009

### 6 Employee information

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

By activity:	2009 Number	2008 Number
Nursing staff	89	-
Healthcare assistants	24	-
Administration	9	-
	122	-

Staff costs (for the above persons):	2009 £	2008 £
Wages and salaries	2,602,869	-
Social security costs	250,317	-
Other pension costs (see note 21)	51,352	-
	2,904,538	-

### 7 Interest receivable and similar income

	2009 £	2008 £
Bank interest receivable	328	-

### 8 Interest payable and similar charges

	2009 £	2008 £
Bank interest payable	-	-
Interest payable on amounts due to group undertakings	101,743	-
Total interest payable	101,743	-

# Diaverum UK Limited

## Notes to the accounts for the year ended 31 December 2009

### 9 Tax on Profit on ordinary activities

Analysis of the tax credit for the year:	2009 £	2008 £
<b>Current tax:</b>		
Corporation taxation charge	-	-
United Kingdom corporation tax group relief receivable	-	-
Under provision in respect of prior years	-	-
Total current tax	-	-
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	-
<b>Tax on profit on ordinary activities</b>	-	-

Factors affecting the tax charge:	2009 £	2008 £
Loss on ordinary activities before tax	(590,372)	139,557
Loss on ordinary activities multiplied by standard rate in the UK 28% (2008 30%)	(165,304)	39,076
Effects of		
Expenses not deductible for tax purposes	15,857	-
Group relief	(2,719)	(39,076)
Depreciation in excess of capital allowances	8,039	-
Other short term timing differences	(9,590)	-
Losses not utilised in the period	153,717	-
Current tax charge for the year	-	-



## Diaverum UK Limited

### Notes to the accounts for the year ended 31 December 2009

#### 10 Tangible assets

	Leasehold improvements and equipment £	Plant, machinery, computers and exhibition equipment £	Capitalised monitors £	Total £
<b>Cost</b>				
At 1 <sup>st</sup> Jan 2009	291,031	222,911	344,914	858,856
Additions	25,211	22,106	72,654	119,971
<b>At 31 December 2009</b>	<b>316,242</b>	<b>245,017</b>	<b>417,568</b>	<b>978,827</b>
<b>Accumulated depreciation</b>				
At 1 <sup>st</sup> Jan 2009	-	-	-	-
Charge for the year	(72,399)	(61,352)	(141,489)	(275,240)
<b>At 31 December 2009</b>	<b>(72,399)</b>	<b>(61,352)</b>	<b>(141,489)</b>	<b>(275,240)</b>
<b>Net book value</b>				
<b>At 31 December 2009</b>	<b>243,843</b>	<b>183,665</b>	<b>276,079</b>	<b>703,587</b>
<b>At 31<sup>st</sup> December 2008</b>	<b>291,031</b>	<b>222,911</b>	<b>344,914</b>	<b>858,856</b>

## Diaverum UK Limited

### Notes to the accounts for the year ended 31 December 2009

#### 11 Stock

	2009 £	2008 £
Dialysis consumables	107,121	83,658

#### 12 Debtors

	2009 £	2008 £
Trade debtors	332,959	372,926
Prepayments and accrued income	112,417	25,004
Amounts due from Group undertakings	197,793	197,793
	643,169	595,723

Included within debtors is £197,793 (2008 £197,793) amounts owed from Group undertakings which are due after more than one year

#### 13 Creditors: amounts falling due within one year

	2009 £	2008 £
Trade creditors	(77,141)	688,228
Other taxation and social security	-	101,882
Other creditors and accruals	425,658	266,040
	348,517	1,056,150

## Diaverum UK Limited

### Notes to the accounts for the year ended 31 December 2009

#### 14 Creditors: amounts falling due after more than one year

	2009 £	2008 £
Amounts due to group undertakings	1,854,765	511,581

#### 15 Maturity of debt

	2009 £	2008 £
In one year	-	-
In more than one year but not more than two years	1,854,765	511,582
	1,854,765	511,582

All loans have 10 year maturity terms, and the associated interest rate is 9.953%

#### 16 Deferred tax

Deferred tax asset	Amount unrecognised	
	2009 £	2008 £
Tax effect of timing differences because of		
Depreciation in excess of capital allowances	18,994	10,955
Losses carried forward	153,717	-
Losses transferred from Diaverum Holdings UK Ltd	386,082	386,082
Other timing differences	-	9,590
Unrecognised deferred tax asset	558,793	406,627

Deferred taxation is calculated using the rate of 28% which will become effective from 1 April 2008 as this is the rate which is expected to apply if the asset were to crystallise

## Diaverum UK Limited

### Notes to the accounts for the year ended 31 December 2009

#### 17 Share Capital & Reserves

	Profit and loss account £
At 1 January 2009	139,557
Retained loss for the financial year	(590,372)
<b>At 31 December 2009</b>	<b>(450,815)</b>

The share capital of the company is one million pounds divided into one million ordinary shares of £1 each  
A total of one ordinary share was allotted, issued and fully paid in the year

#### 18 Reconciliation of movement in shareholders' funds

	2009 £
Shareholders' funds as at 1 January 2009	139,558
Loss for the year	(590,372)
<b>Shareholders' deficit as at 31 December 2009</b>	<b>(450,815)</b>

#### 19 Related Party Disclosure

The company is exempt from disclosure of related party relationship as 90% or more of voting rights are controlled within the group, and the consolidated financial statements in which Diaverum UK Ltd is included are publically available

#### 20 Financial commitments

At 31 December 2009, the company had annual commitments under non-cancellable operating leases expiring as follows

	2009		2008	
	Land and buildings £	Other £	Land and buildings £	Other £
Expiring in over five years	20,000	-	-	-

# **Diaverum UK Limited**

## **Notes to the accounts for the year ended 31 December 2009**

### **21 Pension scheme**

The pension charge representing contributions payable by the company amounted to £51,352 (2008 £nil) No contributions to the pension fund remain outstanding at the year-end (2008 nil)

### **22 Ultimate parent undertaking**

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