

Diaverum UK Limited

Annual report

for the year ended 31 December 2013

Registered Number 06614923

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Diaverum UK Limited

Annual report

for the year ended 31 December 2013

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Diaverum UK Limited

Directors and advisers for the year ended 31 December 2013

Directors

Dag Olov Andersson Tilk
Michael Hartnett
Magnus Anders Olof Sjöholm

Secretary

Rysaffe Secretaries
Lion House
Red Lion Street
London
WC1R 4GB

Auditors

KPMG LLP
Botanic House
100 Hills Road
Cambridge
CB2 1AR

Registered office

Blenheim Gate
22-24 Upper Marlborough Road
St Albans
Hertfordshire
AL1 3AL

Diaverum UK Limited

Directors' report for the year ended 31 December 2013

The directors present their report and the audited financial statements of the company for the year ended 31 December 2013.

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 eleven operational clinics. After a successful tender award, in April 2013 and August 2013 we opened new permanent dialysis facilities in Bedford & Harlow respectively. The total number of patients being treated in our UK facilities was 789.

2013 was a very positive year of development for the business. In addition to opening our new permanent facilities in Bedford & Harlow, we also won a tender to operate a new facility at Eastbourne serving 40 patients and a tender to operate four new dialysis clinics in Aston Cross, Kings Norton, Tipton & Hereford serving an additional 350 patients. This brings the total number of Diaverum UK clinics to 16 and gives Diaverum a twenty per cent share of the UK market. 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 have been ranked well during tender evaluations. In 2013 Diaverum introduced a patient satisfaction survey with *iwantgreatcare* and the results are reviewed quarterly by the management teams. In 2013 Diaverum UK Limited was awarded ISO9001 Quality Management Certification and ISO14001 Environmental Management Certification.

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 £775,537 (2012: £645,343). 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 (2012: £nil).

Political and charitable contributions

The company made no political contributions during the year (2012: £nil). The company made charitable donations of £1,900 during the year (2012: £6,250).

Diaverum UK Limited

Directors' report for the year ended 31 December 2013 (*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 2013 revenue per treatment was £45.52 (2012:£44.11), and the volume of treatments was 98,850 (2012: 101,133). Performance in 2014 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 21/8/14

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

Botanic House
100 Hills Road
Cambridge
CB2 1AR
United Kingdom

Independent auditor's report to the members of Diaverum UK Limited

We have audited the financial statements of Diaverum UK Limited for the year ended 31 December 2013 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 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

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 2013 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 auditor's report to the members of Diaverum UK Limited *(continued)*

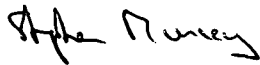
Opinion on other matter prescribed by the Companies Act 2006

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; or
- the directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a strategic report.



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

Date: 21 August 2014

Diaverum UK Limited

Profit and loss account for the year ended 31 December 2013

	Note	2013 £	2012 £
Turnover	2	4,499,349	4,460,870
Cost of sales		(3,701,211)	(4,405,372)
Gross profit		798,138	55,498
Operating expenses	3	(1,534,467)	(699,574)
Loss on ordinary activities before interest and taxation		(736,329)	(644,076)
Interest payable and similar charges	7	(39,208)	(1,267)
Loss on ordinary activities before taxation	4	(775,537)	(645,343)
Tax on loss on ordinary activities	8	-	-
Retained loss for the financial year		(775,537)	(645,343)

All amounts relate to continuing operations. There were no recognised gains and losses for 2013 or 2012 other than those included in the profit and loss account.

Diaverum UK Limited

Balance sheet as at 31 December 2013

	Note	2013 £	2012 £
Fixed assets			
Intangible assets	9	179	2,635
Tangible assets	10	66,544	11,733
		66,723	14,368
Current assets			
Debtors (including £2,409,354 (2012: £567,857) due after more than 1 year)	11	2,815,857	1,147,600
Cash at bank and in hand		-	116
		2,815,857	1,147,716
Creditors: amounts falling due within one year	12	(3,074,069)	(578,036)
Net current (liabilities)/assets		(258,212)	569,680
Total assets less current liabilities		(191,489)	584,048
Creditors: amounts falling due in more than one year	13	-	-
Net (liabilities)/assets		(191,489)	584,048
Capital and reserves			
Called up share capital	16	3,500,001	3,500,001
Profit and loss account	17	(3,691,490)	(2,915,953)
Shareholders' (deficit)/funds	18	(191,489)	584,048

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

These financial statements were approved by the board of directors on 21/8/14 and were signed on its behalf by:

M. Hartnett 21/8/14
M Hartnett
Director

Company Number: 06614923

Diaverum UK Limited

Notes to the accounts for the year ended 31 December 2013

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 2013

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 2013

3 Operating expenses

	2013 £	2012 £
Facilities operating costs	1,534,467	699,574

4 Loss on ordinary activities before taxation

The loss on ordinary activities before taxation is stated after charging:

	2013 £	2012 £
Depreciation of tangible fixed assets:	10,035	10,506
Amortisation of intangible assets	(424)	1,436
Operating lease charges	21,608	41,858
Auditors' remuneration:		
- audit services	14,088	10,000
- taxation services	10,128	5,761

5 Directors' emoluments

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

	2013 £	2012 £
Aggregate emoluments in respect of qualifying services	151,642	149,762

During the current year no directors received shares in respect of qualifying services (2012: £nil) and no directors exercised share options (2012: £nil). No directors are members of defined benefit pension schemes (2012: £nil).

Diaverum UK Limited

Notes to the accounts for the year ended 31 December 2013

6 Employee information

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

By activity:	2013 Number	2012 Number
Nursing staff	123	136
Healthcare assistants	22	22
Administration	10	9
	155	167

Staff costs (for the above persons):	2013 £	2012 £
Wages and salaries	3,869,360	3,774,571
Social security costs	356,260	356,887
Other pension costs (see note 21)	167,547	194,616
	4,393,167	4,326,074

7 Interest payable and similar charges

	2013 £	2012 £
Interest payable on amounts due to group undertakings	39,208	1,267

Diaverum UK Limited

Notes to the accounts for the year ended 31 December 2013

8 Tax on loss on ordinary activities

Analysis of the tax (credit)/charge for the year:	2013 £	2012 £
Current tax:		
Corporation taxation charge	-	-
Total current tax	-	-
Deferred tax:		
Origination of timing differences	(1)	-
Effect of decrease in tax rate on opening balance	1	-
Tax on loss on ordinary activities	-	-
Factors affecting the tax (credit)/charge:		
	2013 £	2012 £
Loss on ordinary activities before tax	(775,537)	(645,343)
Loss on ordinary activities multiplied by standard rate in the UK 23.25 % (2012: 24.5%)	(180,286)	(158,109)
Effects of:		
Expenses not deductible for tax purposes	4,992	18,992
Group relief surrendered	178,315	144,618
Capital allowances less than/(in excess of) depreciation	(4,606)	(755)
Fixed Asset Differences	1,585	-
Other short term timing differences	-	(4,746)
Current tax charge for the year	-	-

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 March 2014 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

Diaverum UK Limited

Notes to the accounts for the year ended 31 December 2013

9 Intangible assets

	Software £
	<u>Total £</u>
Cost	
At 31 December 2012	5,028
Disposals	(2,880)
At 31 December 2013	<u>2,148</u>
Accumulated amortisation	
At 31 December 2012	2,393
Disposals	(1,740)
Charge for the period	1,316
At 31 December 2013	<u>1,969</u>
Net book value	
At 31 December 2013	<u>179</u>
At 31 December 2012	2,635

Diaverum UK Limited

Notes to the accounts for the year ended 31 December 2013

10 Tangible assets

	Plant, machinery, computers and exhibition equipment £
Cost	
At 31 December 2012	34,837
Additions	64,846
Disposals	(637)
At 31 December 2013	99,046
Accumulated depreciation	
At 31 December 2012	23,104
Charge for the year	10,035
Disposals	(637)
At 31 December 2013	32,502
Net book value	
At 31 December 2013	66,544
At 31 December 2012	11,733

Diaverum UK Limited

Notes to the accounts for the year ended 31 December 2013

11 Debtors

	2013 £	2012 £
Trade debtors	289,272	491,443
Prepayments and accrued income	67,733	49,514
Amounts due from group undertakings within one year	49,498	38,746
Amounts due from group undertakings after more than one year	2,409,354	567,897
	<u>2,815,857</u>	<u>1,147,600</u>

12 Creditors: amounts falling due within one year

	2013 £	2012 £
Trade creditors	67,611	41,444
Amounts due to group undertakings	2,435,929	129,579
Other creditors and accruals	570,529	407,013
	<u>3,074,069</u>	<u>578,036</u>

13 Creditors: amounts falling due after more than one year

	2013 £	2012 £
Amounts due to group undertakings	-	-

14 Maturity of debt

	2013 £	2012 £
In more than one year but not more than two years	-	-

Diaverum UK Limited

Notes to the accounts for the year ended 31 December 2013

15 Deferred tax

The elements of unrecognised deferred tax are as follows:

	2013 £	2012 £
Tax effect of timing differences because of:		
Fixed asset timing differences	3,278	8,334
Losses in period carried forward	-	-
Other losses carried forward	488,649	561,946
Other timing differences	-	-
Unrecognised deferred tax asset	491,927	570,280

Deferred taxation is calculated using the rate of 21% (2012: 23%).

16 Called up share capital

	2013 £	2012 £
Authorised		
3,500,001 ordinary shares of £1 each	3,500,001	3,500,001
Issued, allotted, called up and fully paid		
3,500,001 ordinary shares of £1 each	3,500,001	3,500,001

17 Reserves

	Profit and loss account £
At 1 January 2013	(2,915,953)
Retained loss for the financial year	(775,537)
At 31 December 2013	(3,691,490)

Diaverum UK Limited

Notes to the accounts for the year ended 31 December 2013

18 Reconciliation of movement in shareholders' funds

	£
Shareholders' Funds as at 1 January 2013	584,048
Loss for the year	(775,537)
Shareholders' deficit as at 31 December 2013	(191,489)

19 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.

20 Financial commitments

At 31 December 2013, the company had annual commitments under non-cancellable operating leases expiring as follows:

	2013		2012	
	Land and buildings £	Other £	Land and buildings £	Other £
Expiring in under 1 year	-	-	46,008	16,276
Expiring in 2 – 5 years	182,794	10,193	103,419	12,215
Expiring in over 5 years	371,347	-	243,876	-

21 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 £167,547 (2012: £194,616). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

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 them from their Registered office: L-1331 Luxembourg, 65, Boulevard Grande-Duchesse Charlotte, RCS Luxembourg B 68.235. The ultimate parent undertaking is Diaverum S.a.r.l, a company controlled by Bridgepoint Capital, who purchased the entire share capital from Gambro AB on 2nd July 2007.