Diaverum UK Limited

Strategic Report, Directors' Report and Financial Statements

Registered number 06614923

31 December 2022

Contents

Strategic Report

The Directors set out below strategic issues pertaining to the year ended 31 December 2022 and the immediate future.

Principal activity
The Company's principal activity during the year was the provision of renal dialysis services.

Review of the 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, delivered from a network of dialysis facilities by our specialist teams of dialysis nurses. 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 contract renewals of existing services, where nursing staff delivering the services typically transfer to Diaverum under TUPE rules.

Our business portfolio includes thirty-four operational services. 2022 was another very positive year of development for the business building on the prior successful tender bids. The new Laurie Solomon Renal Centre, Blackburn opened on the 15th of August 2022. This is the first of our clinics to be built from the ground up, our new clinic is comprised of 24 dialysis stations, outpatient and virtual consultation facilities. Diaverum took over the operation of the North Ormesby clinic on 24th of April 2022, a 20 station clinic treating approximately 90 stations in the North East of England.

The new state-of-the-art Dialysis Unit in Darlington opened on Monday 21st November 2022. The service which was previously located on the grounds of Darlington Hospital, was cramped and no longer fit for purpose. The Dialysis Unit offers 20 spacious dialysis stations plus four isolation rooms and consultation facilities.

The addition of the new services over recent years demonstrates the Company's commitment to and delivery of renal healthcare services in the UK and solidifies Diaverum in a clear number two market position.

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. Our contracts 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 new services and growth in existing services, thus providing more revenue per £ of overhead, and (ii) operational efficiencies and cost reduction programmes.

For the year ended 31 December 2022, the company reported a loss before tax of £5,528,879 (2021 : Loss £3,107,935). The loss primarily relates to additional labour cost incurred from the continued use of agency staff due to the shortage of nurses in the United Kingdom and weakening of the GBP to EUR exchange rate resulting in exchange losses in the year.

Future Prospects
The Company is confident that its strategy will continue to deliver results that meet our expectations in the years to come. In April and August 2022 we have added two further clinics, North Ormesby and Blackburn to our network.

The company continues to place patient care and wellbeing at the core of its objectives which will lead to a strong patient appreciation driving the company to its future expected successes.

Strategic Report (*continued*)

Principal risks and uncertainties

The company operates a Risk management framework in order to manage the risks and uncertainties of the business. The Executive Team reviews all risk and escalates the top risks to the Board for review each meeting.

Our market is increasingly under pressure to 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.

The healthcare sector continues to feel the impact of Covid 19, resulting in increased price of Personal Protection Equipment (PPE), increased labour costs due to staff absences and less patient movement.

We are closely monitoring the impact of Brexit on the healthcare sector. We believe the biggest risk to the sector is in relation to the recruitment and retention of healthcare professionals. We are reviewing various options to ensure the company has the right levels of staff in the business.

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.). Further to the non-financial medical KPIs, the Company management's main financial KPI is Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA).

	2022 **£'000**	2021 £'000
Patients	**3,217**	3,063
Turnover	**15,269**	14,243
Loss before taxation	**(5,529)**	(3,108)

During the year profitability has reduced due to increased labour costs and inflationary price rises. Performance in 2023 is expected to improve, offering enhanced patient care and building upon our extensive knowledge and experience. The directors believe that continuing to focus on the above medical KPIs, whilst recognising the need to remain dynamic and adaptable in its assessment of business opportunities, will continue to produce a good level of performance.

By order of the board

G Wright
Director

28 September 2023

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

Directors' Report

The Directors present their report and the audited financial statements of Diaverum UK Limited (the "Company") for the year ended 31 December 2022.

Future developments and research and development activity

The future developments and research and development activities of the Company are provided in the Strategic Report and incorporated into the Directors' report.

Going concern

Notwithstanding net current liabilities of £18,212,634 as at 31 December 2022 and a loss for the year then ended of £5,313,994, the financial statements have been prepared on the going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for the purposes of assessing going concern which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its intermediate parent company, Diaverum AB, to meet its liabilities as they fall due during the going concern assessment period.

Those forecasts are dependent on Diaverum AB providing additional financial support during the going concern assessment period. Diaverum AB has indicated that they will continue to provide financial support and working capital, including additional funds should intercompany loans with group companies be called, to the company during the going concern assessment period. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis. statements have been prepared on the going concern basis. The Directors have satisfied themselves that Diaverum AB have the available resources to provide those funds. The financial statements do not include any adjustments that would result if Diaverum AB was to withdraw its financial support.

Dividend

The Directors do not propose the payment of a dividend *(2021: nil)*.

Directors

The following Directors have held office during the year and up to the date of approval of these financial statements, unless otherwise stated.

Lisa Akeroyd
Magnus Sjoholm
Gavin Donovan Wright

The Directors did not hold an interest in the share capital of the Company at any time during the year.

A qualifying third party indemnity provision was in place for the benefit of the Directors of the Company during the financial year and also at the date of approval of the financial statements.

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including credit risks and liquidity risks. The principal risk and uncertainties are detailed further in the Strategic Report.

Directors' Report (*continued*)

Credit risk

The company's principal financial assets are bank balances and cash, trade and other receivables. The company's credit risk is primarily attributable to its trade debtors and amounts due from group undertakings. The amounts presented in the balance sheet is net of allowance for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cashflows.

The credit risk on liquid funds is limited because counterparties are banks with high credit ratings assigned by international credit rating agencies.

The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties.

Liquidity risk

To maintain liquidity and ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of short term internal debt financing and working capital.

Policies regarding the employment of disabled persons and employee involvement

Applications for employment by disabled persons are always fully considered, bearing in mind abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Events after the balance sheet date

The Company signed updated facility agreements with a parent undertaking on 1st January 2023, which increased the facility from €20.3 million to €24.4 million.

In April 2023 M42 group has entered into an agreement to acquire 100% of Diaverum Group shares from Bridgepoint. The M42 takeover has not yet been completed, they are still in the due diligence phase.

Disclosure of information to auditor

The Directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. The Directors have taken all the steps they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Auditor

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

By order of the board

G Wright
Director

28 September 2023

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

Statement of Directors' responsibilities in respect of the Strategic Report, Directors' Report and the Financial Statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

Opinion

We have audited the financial statements of Diaverum UK Limited ("the company") for the year ended 31 December 2022 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud.

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

Our risk assessment procedures included:

- Enquiring of directors and management and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud including the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.
- Comparing a sample of revenue transactions to supporting documentation to assess whether revenue had been recorded in the correct accounting period.

Identifying and responding to risks of material misstatement relating to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards) and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of Company's license to operate. We identified the following areas as those most likely to have such an effect: Care Quality Commission (CQC) Regulations, Renal Association Guidelines, GDPR, health and safety, employment law and certain aspects of company legislation recognising the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

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

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Justin Vermooten (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
58 Clarendon Road
Watford
WD17 1DE

28 September 2023

Profit and Loss Account and Other Comprehensive Income
for the year ended 31 December 2022

	Note	2022	2021
		£	£
Turnover	2	**15,268,951**	14,243,039
Cost of sales		(17,536,260)	(13,254,151)
Gross (loss)/profit		**(2,267,309)**	988,888
Administrative expenses		**(2,228,108)**	(3,383,616)
Operating loss	3	**(4,495,417)**	(2,394,728)
Interest payable and similar expenses	5	**(1,033,462)**	(713,207)
Loss before taxation		**(5,528,879)**	(3,107,935)
Tax on loss	6	**214,884**	-
Loss for the financial year		**(5,313,995)**	(3,107,935)
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive loss for the year		(5,313,995)	(3,107,935)

The results above relate to continuing operations.

The notes on pages 13 to 21 form part of these financial statements.

Balance Sheet
at 31 December 2022

	Note	2022 £	2022 £	2021 £	2021 £
Fixed assets					
Tangible assets	*7*		152,069		114,632
Intangible assets	*8*		18,349		25,165
			170,418		139,797
Current assets					
Debtors (including £9,424,400 (2021: £8,775,187) due after more than one year)	*9*	11,686,791		10,341,383	
Cash at bank and in hand	*10*	-		1,100,000	
		11,686,791		11,441,383	
Creditors: amounts falling due within one year	*11*	(29,899,425)		(24,309,401)	
Net current liabilities			(18,212,634)		(12,868,018)
Total assets less current liabilities			(18,042,216)		(12,728,221)
Net liabilities			(18,042,216)		(12,728,221)
Capital and reserves					
Called up share capital	*13*		2		2
Profit and loss account	*13*		(18,042,218)		(12,728,223)
Shareholders' deficit			(18,042,216)		(12,728,221)

The notes on pages 13 to 21 form part of these financial statements.

These financial statements were approved by the Board of Directors on 28 September 2023 and were signed on its behalf by:

G Wright
Director

Company registered number: 06614923

Statement of Changes in Equity

	Called up share capital	Share Premium	Profit and loss account	Total equity
	£	£	£	£
Balance at 1 January 2021	2	-	(9,620,288)	(9,620,286)
Total comprehensive income for the period				
Loss for the financial year	-	-	(3,107,935)	(3,107,935)
Total comprehensive loss for the period	-	-	(3,107,935)	(3,107,935)
Balance at 31 December 2021	**2**	**-**	**(12,728,223)**	**(12,728,221)**

	Called up share capital	Share Premium	Profit and loss account	Total equity
	£	£	£	£
Balance at 1 January 2022	2	-	(12,728,223)	(12,728,221)
Total comprehensive income for the period				
Loss for the financial year	-	-	(5,313,995)	(5,313,995)
Total comprehensive loss for the period	-	-	(5,313,995)	(5,313,995)
Balance at 31 December 2022	**2**	**-**	**(18,042,218)**	**(18,042,216)**

Notes

(forming part of the financial statements)

1 Accounting policies

Diaverum UK Limited (the "Company") is a Company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*). The presentational currency of these financial statements is sterling.

The Company's ultimate parent undertaking, Diaverum S.a.r.l includes the Company in its consolidated financial statements. The consolidated financial statements of Diaverum S.a.r.l are available to the public. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes;
- Key Management Personnel compensation.

As the consolidated financial statements of Diaverum S.a.r.l include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

Notwithstanding net current liabilities of £18,212,634 as at 31 December 2022 and a loss for the year then ended of £5,313,994, the financial statements have been prepared on the going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for the purposes of assessing going concern which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its intermediate parent company, Diaverum AB, to meet its liabilities as they fall due during the going concern assessment period.

Those forecasts are dependent on Diaverum AB providing additional financial support during the going concern assessment period. Diaverum AB has indicated that they will continue to provide financial support and working capital, including additional funds should intercompany loans with group companies be called, to the company during the going concern assessment period. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange

Notes *(continued)*

1 Accounting policies *(continued)*

rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.9 below.

The Company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Assets under construction are held until complete and placed into service. They are then transferred to the respective asset categories, depreciation commenced and charged to the profit and loss.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives are as follows:

Leasehold improvements and equipment	-	Over the lease term
Plant, machinery, computers and exhibition equipment	-	3 to 10 years
Buildings	-	5 to 10 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

1.6 Intangible fixed assets

Intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses. Assets under construction are held until complete and placed into service. They are then transferred to the respective intangible asset categories, amortisation commenced and charged to the profit and loss.

The cost of intangible assets acquired in a business combination are capitalised separately from goodwill if the fair value can be measured reliably at the acquisition date.

1.7 Employee benefits

Pension contributions

The Company contributes to the personal pension plans of its employees. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Notes *(continued)*

1 Accounting policies *(continued)*

1.8 Turnover

The Company's turnover is attributable to its principal activity being the provision of renal care dialysis clinics.

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.

1.9 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

1.10 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.11 *Government Grants*

Grants are recognised in the same period as the related expenditure it was issued to offset.

Notes *(continued)*

2 Turnover

	2022 £	2021 £
Renal dialysis turnover	15,268,951	14,243,039
Total turnover	15,268,951	14,243,039

	2022 £	2021 £
By geographical market		
United Kingdom	15,268,951	14,243,039
	15,268,951	14,243,039

3 Operating loss

Included in the loss are the following:

	2022 £	2021 £
Depreciation of tangible fixed assets	57,805	41,046
Amortisation of intangible fixed assets	19,994	38,374
Government grants – Furlough	-	51,432
Exchange losses/(gains)	1,083,480	(787,370)

Auditor's remuneration:

	2022 £	2021 £
Audit of these financial statements	36,480	33,075
Amounts receivable by the Company's auditor and its associates in respect of:		
Taxation compliance services	8,625	5,657

4 Staff numbers and costs

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

	Number of employees 2022	2021
Nursing staff	357	340
Healthcare assistants	138	128
Administration	37	38
	532	506

Notes (continued)

The aggregate payroll costs of these persons were as follows:

	2022	2021
	£	£
Wages and salaries	15,392,414	14,120,693
Social security costs	1,614,688	1,348,803
Other pension costs	338,588	334,157
	17,345,690	**15,803,653**

Directors' remuneration

	2022	2021
	£	£
Directors' remuneration	277,376	322,713
Company contributions to money purchase pension plans	19,044	25,565
Employee healthcare insurance paid to third parties	2,251	5,325
	298,671	353,603

The aggregate of remuneration of the highest paid Director was £172,543 *(2021: £208,130)*, and Company pension contributions of £7,552 *(2021: £19,490)* were made to a pension scheme on his behalf and employee healthcare insurance costs paid to third parties were £nil (*2021: £3,164*)

	Number of Directors	
	2022	2021
Retirement benefits are accruing to the following number of Directors under:		
Defined benefit schemes	-	-

5 Interest payable and similar charges

	2022	2021
	£	£
Payable to group undertakings	1,033,462	713,207

Notes *(continued)*

6 Taxation

Total tax expense recognised in the profit and loss account

		2022		2021
	£	£	£	£
Current tax				
Current tax on loss for the period	214,884		-	
Adjustments in respect of prior periods	-		-	
Total current tax		(214,884)		-
Deferred tax				
Origination and reversal of timing differences	-		-	
Adjustments in respect of prior periods	-		-	
Total deferred tax		-		-
Total tax expense/(credit)		(214,884)		-
Recognised in Profit and Loss Account		(214,884)		-
		(214,884)		-

Reconciliation of effective tax rate

	2022	2021
	£	£
Loss before taxation	(5,528,879)	(3,107,935)
Tax using the UK corporation tax rate of 19% *(2021: 19%)*	(1,050,487)	(590,508)
Effects of:		
Non-deductible expenses	158	1,137
Fixed asset differences	286	370
Impact of rate change on deferred tax	-	(543,036)
Tax effect of capital allowances super - deduction	(503)	(2,891)
Deferred tax not recognised	835,662	462,856
Payment received for group relief	(214,884)	-
Group relief surrendered	214,884	672,072
Total tax expense/(credit) included in profit or loss	(214,884)	-

Deferred tax assets amounting to £835,662 *(2021: £462,856)* have not been recognised in respect of unutilised tax losses due to uncertainty over their future recoverability.

Factors affecting the tax charge for the year

The main rate of corporation tax is currently 19% but this will increase to 25% from 1 April 2023. The rate increase has been substantively enacted and therefore any deferred tax balances have been recognised at the rate they are expected to reverse.

Notes *(continued)*

7 Tangible fixed assets

	Buildings £	Plant, machinery, computers and exhibition equipment £	Total £
Cost			
Balance at 1 January 2022	39,739	341,594	381,333
Additions	-	95,242	95,242
Balance at 31 December 2022	39,739	436,836	476,575
Depreciation			
Balance at 1 January 2022	(27,792)	(238,909)	(266,701)
Depreciation charge for the year	(3,817)	(53,988)	(57,805)
Balance at 31 December 2022	(31,609)	(292,897)	(324,506)
Net book value			
At 31 December 2022	**8,130**	**143,939**	**152,069**
At 1 January 2022	11,947	102,685	114,632

8 Intangible fixed assets

	Software £	Total £
Cost		
Balance at 1 January 2022	212,688	212,688
Additions	13,178	13,178
Balance at 31 December 2022	225,866	225,866
Amortisation		
Balance at 1 January 2022	(187,523)	(187,523)
Amortisation charge for the year	(19,994)	(19,994)
Balance at 31 December 2022	(207,517)	(207,517)
Net book value		
At 31 December 2022	**18,349**	**18,349**
At 1 January 2022	25,165	25,165

Notes *(continued)*

9 Debtors

	2022	2021
	£	£
Trade debtors	2,095,525	1,383,917
Amounts owed by group undertakings (repayable on demand)	9,425,400	8,775,187
Prepayments and other debtors	165,866	182,279
	11,686,791	10,341,383

Debtors include balances of £9,425,400 (2021: £8,775,187) due after more than one year.

10 Cash and cash equivalents

	2022	2021
	£	£
Cash at bank and in hand	-	1,100,000

Diaverum Treasury operates a zero cash pooling balance facility and Diaverum UK Limited is a member. All balances at the end of each day (negative or positive) is swept from the UK bank accounts to a central account. No cash is therefore held in the UK bank accounts.

11 Creditors: amounts falling due within one year

	2022	2021
	£	£
Trade creditors	61,458	39,346
Amounts owed to group undertakings (refer note below) (repayable on demand)	27,417,039	22,992,689
Other creditors and accruals	2,420,928	1,277,366
	29,899,425	24,309,401

Amounts owed to group undertakings include loans from Diaverum Treasury AB (a company incorporated in Sweden) of £17.6m (€19.9m). The loan from Diaverum Treasury AB was drawn from an available facility of €26.9m.

12 Deferred tax

The net elements of unrecognised deferred tax are as follows:

	2022	2021
	£	£
Fixed asset timing differences	(13,410)	(10,515)
Short term timing differences	9,298	402
Losses and other deductions	840,395	472,969
	836,283	462,856

Notes *(continued)*

13 Capital and reserves

Share capital

	2022	2021
	£	£
Allotted, called up and fully paid		
Share capital opening balance	2	2
Shares classified in shareholder's funds: 2 *(2021: 2)* ordinary shares of £1 each	2	2

Profit and loss reserves

	2022	2021
	£	£
Opening balance	(12,728,223)	(9,620,288)
Loss for the financial year	(5,313,995)	(3,107,935)
Closing balance	(18,042,218)	(12,728,223)

14 Accounting estimates and judgements

The Directors do not consider there to be any sources of key estimation, uncertainty or critical accounting judgements at the balance sheet date.

15 Subsequent events

The Company signed updated facility agreements with a parent undertaking on 1st January 2023, which decreased the facility from €26.9 million to €24.4 million. As the full facility is never utilised these were reduced to enable the release of funds for other Group entities that requires it.

In April 2023 M42 group has entered into an agreement to acquire 100% of Diaverum Group shares from Bridgepoint. The M42 takeover has not yet been completed, they are still in the due diligence phase.

16 Related parties

Identity of related parties with which the Company has transacted

The Company has taken advantage of the exemption available under FRS 102 from disclosing transactions between wholly-owned subsidiaries or with their parent.

In the normal course of business the Company does transact at an arms-length basis with fellow members of the Group.

17 Ultimate parent Company and parent Company of larger group

The Company is a subsidiary undertaking of Diaverum Holding UK Limited, a Company registered in the United Kingdom, whose immediate parent undertaking is Diaverum AB, a Company incorporated in Sweden. 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 2 July 2007.

The smallest and largest group for which group financial statements are prepared are Diaverum S.a.r.l. The financial statements of Diaverum S.a.r.l may be obtained from the Company's registered office, L-1331 Luxembourg, 65, Boulevard Grande-Duchese Charlotte, RCS Luxembourg B 68.235.