

Diamorph UK Limited

Directors' report and financial statements

Registered number 08071521

Year ended 31 December 2014

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Contents

Strategic Report	1
Directors' Report	2
Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements	3
Independent auditor's report to the members of Diamorph UK Limited	4
Profit and loss account	6
Other comprehensive income	7
Balance sheet	8
Statement of changes in equity	9
Notes	10

Strategic Report

The directors present their Strategic Report, Directors' Report and audited financial statements for the year ended 31 December 2014.

Principal activities

The principal activity of Diamorph UK Limited remains that of an intermediate holding company.

Business review

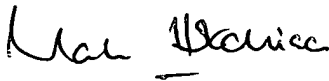
The Directors consider the principle risk and uncertainty confronting the group currently continues to be the outlook for the Eurozone economies. Although the outcome of the UK General Election has eased concerns over the continuing recovery of the UK economy, it has introduced some anxiousness surrounding the forthcoming Referendum on Europe, and its possible impact on the British economy.

At the balance sheet date the group remains focussed with a positive outlook for the coming financial year despite the concerns expressed earlier.

Key performance indicators

The Company monitored its subsidiaries using a number of performance indicators: these are operating profit by division, debtor days, stock days, employee costs and added value. These are reviewed monthly by management.

By order of the board



MA Hutchison
Director

25 September 2015

Ashburton Road West
Trafford Park
Manchester
M17 1RU

Directors' Report

The directors present their directors' report and audited financial statements for the year ended 31 December 2014.

During 2014 the directors have determined to adopt FRS101 *Reduced Disclosure Framework* within the new UK GAAP accounting standards framework, consistent with the approach taken by the other UK companies within the Diamorph group. After having been incorporated in 2012, the Company has acted and continued to act as an intermediate holding company. In preparing the financial statements, the directors have determined the Company's functional currency to be Swedish Krona (SEK) and therefore the financial statements are presented differently to the previous years. Further information is set out in the notes to the financial statements.

On 27 July 2012 the Company purchased 100% of the ordinary share capital of Modular Stock Limited for a total consideration of £61.3m (SEK 661.1 million) net of discounting effects relating to the fair value accounting for non-interest-bearing liabilities. In addition to certain deferred consideration, the acquisition was funded by share capital, a SEK 425 million intercompany loan with the Swedish parent company Diamorph AB (publ) accruing interest at the fixed rate of 12%, and an additional SEK 55.6 million non-interest-bearing intercompany term loan. The terms of the SEK 425 million intercompany loan mirrored a bond issued by Diamorph AB (publ) to third party investors. During 2014, the bond issued by Diamorph AB (publ), and in turn the intercompany loan, has been refinanced at a significantly lower interest rate and the deferred consideration was repaid in full. The replacement intercompany loan has a principal value of SEK 500 million and accrues interest at a fixed rate of 7%.

Dividend

The directors do not recommend the payment of a dividend.

Going concern

The directors have prepared cash flow forecasts into the future and have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors and directors' interests

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

AP Moore
FJ Hopkins (resigned 1 June 2015)
F Svedberg
G MacLeman (appointed 1 June 2015)
MA Hutchison (appointed 26 January 2015)

Political contributions

There were no political contributions made during the year.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor are aware of that information.

Approved by the Board of Directors and signed on behalf of the Board:



MA Hutchison
Director

26 September 2015

Registered office
Ashburton Road West
Trafford Park
Manchester
M17 1RU

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 101 *Reduced Disclosure Framework*.

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

1 St Peter's Square
Manchester
M2 3AE
United Kingdom

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

We have audited the financial statements of Diamorph UK Limited for the year ended 31 December 2014 set out on pages 6 to 21. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including FRS 101 *Reduced Disclosure Framework*.

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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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, and express an opinion on, 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 Ethical Standards for Auditor.

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 2014 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

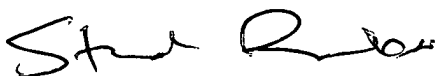
In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Diamorph 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.



Stuart Burdass (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester, M2 3AE

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Profit and loss account
for the year ended 31 December 2014

	<i>Note</i>	2014 SEK000	2013 SEK000
Administrative expenses		(3,414)	(3,234)
Operating loss		(3,414)	(3,234)
Interest payable and similar charges	3	(103,193)	(63,022)
Loss on ordinary activities before taxation		(106,607)	(66,256)
Tax on loss on ordinary activities	4	423	758
Loss for the financial year		(106,184)	(65,498)

The notes on pages 10 to 21 form part of the financial statements.

Other comprehensive income
for the year ended 31 December 2014

	2014 SEK000	2013 SEK000
Loss for the financial year	(106,184)	(65,498)
Other comprehensive income for the year, net of income tax	(106,184)	(65,498)
Total comprehensive loss for the year	(106,184)	(65,498)

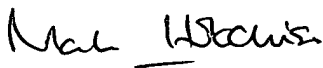
The notes on pages 10 to 21 form part of these financial statements.

Balance sheet
At 31 December 2014

	<i>Note</i>	2014 SEK000	2013 SEK000
Fixed assets			
Investments	5	<u>661,100</u>	<u>678,427</u>
Current liabilities			
Creditors falling due within one year	6	<u>(266,462)</u>	<u>(189,066)</u>
Net current liabilities		<u>(266,462)</u>	<u>(189,066)</u>
Total assets less current liabilities		394,638	489,361
Creditors falling due after more than one year	7	(491,805)	(479,921)
Provisions for liabilities and charges	8	<u>(3,539)</u>	<u>(3,962)</u>
Net assets/(liabilities)		<u>(100,706)</u>	<u>5,478</u>
Capital and reserves			
Called up share capital	9	87,381	87,381
Capital contribution reserve	10	24,194	24,194
Profit and loss account		<u>(212,281)</u>	<u>(106,097)</u>
Shareholder's funds/(deficit)		<u>(100,706)</u>	<u>5,478</u>

Notes on pages 10 to 21 form part of the financial statements.

These financial statements were approved by the board of directors on 25/1/15 and were signed on its behalf by:



MA Hutchison
Director

Statement of changes in equity
for the year ended 31 December 2014

	Called up share capital	Capital contribution reserve	Profit and loss account	Total
	SEK000	SEK000	SEK000	SEK000
Balance at 1 January 2013	87,381	24,194	(40,599)	70,976
Total comprehensive income for the year				
Profit or loss	-	-	(65,498)	(65,498)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(65,498)	(65,498)
Transactions with owners, recorded directly in equity:				
Dividends	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-
Balance at 31 December 2013	87,381	24,194	(106,097)	5,478
Balance at 1 January 2014	87,381	24,194	(106,097)	5,478
Total comprehensive income for the year				
Profit or loss	-	-	(106,184)	(106,184)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(106,184)	(106,184)
Transactions with owners, recorded directly in equity:				
Dividends	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-
Balance at 31 December 2014	87,381	24,194	(212,281)	(100,706)

The notes on pages 10 to 21 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Diamorph UK Limited (the "Company") is a company incorporated and domiciled in the UK.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). The amendments to FRS 101 (2013/14 Cycle) issued in July 2014 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions have been taken.

In these financial statements the Company has adopted FRS 101 early and for the first time.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position and financial performance of the Company is provided in note 12.

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The following exemptions have been taken in these financial statements:

- Business combinations - Business combinations that took place prior to 31 December 2012 have not been restated.

The Company's ultimate parent undertaking, Diamorph AB (publ) includes the Company in its consolidated financial statements. The consolidated financial statements of Diamorph AB (publ) are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Diamorph AB (publ), c/o Serendipity Innovations AB, Stureplan 15, SE-111 45, Stockholm, Sweden.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets, and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Diamorph AB (publ) include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures

- IFRS 2 Share Based Payments in respect of group settled share based payments;
- The disclosures required by IFRS 7 and IFRS 13 regarding financial instrument disclosures have not been provided apart from those which are relevant for the financial instruments which are held at fair value and are not either held as part of trading portfolio or derivatives.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 balance sheet at 1 January 2013 for the purposes of the transition to FRS 101.

Measurement convention

The financial statements are prepared on the historical cost basis.

Notes *(continued)*

1 Accounting policies *(continued)*

Going concern

The directors have prepared cash flow forecasts into the future and have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Investments in subsidiaries

Investments in subsidiaries are carried at cost less impairment.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Intra-group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Foreign currencies

Transactions in foreign currencies are translated to the Company's functional currency, Swedish Krona (SEK), 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 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.

Dividends

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

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.

Notes (continued)

1 Accounting policies (continued)

Taxation (continued)

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 temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

2 Notes to the profit & loss account

The Company's audit fee of £2,000 (2013: £2,000) is paid by a subsidiary undertaking.

The directors did not receive any remuneration during the year as they did not provide any services to the Company (2013: £nil).

The Company had no employees other than the directors in the year (2013: none).

Notes (continued)

3 Interest payable and similar charges

	2014 SEK000	2013 SEK000
<i>Interest expense on financial liabilities measured at amortised cost</i>		
Components of the interest charge using the effective interest rate method:		
- Interest on loan from parent undertaking	48,864	51,000
- Amortisation of arrangement fees	4,015	3,746
- Amortisation of early redemption fees (see below)	2,125	-
- Unwinding of discount on Series A loan notes (see below)	17,327	-
- Unwinding of discount on non-interest-bearing intercompany term loan	3,589	3,263
Total interest expense on financial liabilities measured at amortised cost using the effective interest rate method	75,920	58,009
Foreign exchange losses	27,273	5,013
	103,193	63,022

As described in the directors' report, the bond issued by the parent company Diamorph AB (publ), and in turn the SEK 425 million loan between the Company and its parent, was refinanced in September 2014. Early redemption fees of SEK 31,875,000 are included in the effective interest calculation.

The unwinding of discount on Series A loan notes of SEK 17,327,000 in 2014 represents an exceptional charge to reduce the cost of investment in Modular Stock Ltd (see note 5) since part of the purchase consideration was deferred in the form of non-interest-bearing Series A loan notes. The discount effect of the deferred consideration was not reflected in the 2012 and 2013 financial statements on the grounds of materiality but has now been reflected in 2014 as part of the review of accounting policies when adopting FRS 101 and to be consistent with the treatment of the non-interest-bearing intercompany loan which is now discounted under FRS 101. As described in note 7, the Series A loan notes have been settled in full during 2014 and consequently the unwinding of the discount has occurred in full in 2014.

Further information on the Company's liabilities are given in notes 6 and 7.

Notes (continued)

4 Taxation on profit on ordinary activities

Recognised in the profit and loss account

	2014 SEK000	2013 SEK000
<i>UK corporation tax</i>		
Current tax on income for the year	-	-
<i>Deferred tax</i>		
Origination and reversal of temporary differences	(423)	(758)
	<u>(423)</u>	<u>(758)</u>
Tax credit on loss on ordinary activities	<u>(423)</u>	<u>(758)</u>

Reconciliation of total taxation

	2014 SEK000	2013 SEK000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(106,607)	(66,256)
	<u>(22,921)</u>	<u>(15,404)</u>
Current tax at 21.5% (2013: 23.25%)	(22,921)	(15,404)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	5,375	2,132
Group relief not paid for	17,123	12,514
	<u>(423)</u>	<u>(758)</u>
Total tax credit (see above)	<u>(423)</u>	<u>(758)</u>

Notes (continued)

5 Fixed asset investments

	Shares in subsidiaries SEK000
Cost and net book value	
At beginning of year	678,427
Adjustment to recognise discount effect of non-interest-bearing deferred consideration (Series A loan notes) (see note 3)	(17,327)
At end of year	<u>661,100</u>

Details of the subsidiary undertakings, all of which are unlisted, are set out below.

	Class of share capital held	Proportion of share capital owned/voting rights	Nature of business (see below)
Subsidiary undertakings			
Great Britain			
Modular Stock Limited	Ordinary	100%	Holding company
Tenmat Limited*	Ordinary	100%	1
Tenmat Overseas Limited*	Ordinary	100%	Holding company
Golden Heights Limited*	Ordinary	100%	2
Railko Limited****	Ordinary	100%	1
Germany			
Tenmat GmbH**	Ordinary	100%	2
USA			
Tenmat Holdings Inc**	Ordinary	100%	Holding company
Tenmat Inc***	Ordinary	100%	3

The country under which each undertaking appears is both the company of incorporation and of its principal operations.

* Shares are held directly by Modular Stock Limited

** Shares are held by Tenmat Overseas Limited

*** Shares are held by Tenmat Holdings Inc

**** Shares are held by Tenmat Limited

1 Development, manufacture, sales and distribution of advanced materials

2 Non-trading

3 Sales and distribution of advanced materials

Notes (continued)

6 Creditors: amounts falling due within one year

	2014 SEK000	2013 SEK000
Amounts owed to parent undertaking	48,826	33,006
Amounts owed to subsidiary undertaking	217,636	102,396
Series A Loan notes (see note 7)	-	53,664
	<u>266,462</u>	<u>189,066</u>

7 Creditors: amounts falling due after more than one year

		2014 SEK000	2013 SEK000
<i>Amounts owed to parent undertaking</i>			
- Interest-bearing loan (net of fees)	(see below)	452,326	411,832
- Non-interest-bearing term loan	(see below)	39,479	35,890
		<u>491,805</u>	<u>447,722</u>
Amounts owed to parent undertaking		491,805	447,722
Series A Loan notes	(see below)	-	32,199
		<u>491,805</u>	<u>479,921</u>

At the start of the year the Company owed a loan of SEK 425 million to the parent undertaking Diamorph AB (publ) which carried interest at 12% and was repayable in July 2017. The terms of this loan mirrored a bond issued by the parent company to partially fund the acquisition of Modular Stock Ltd by the Company in 2012. During the year, a strategic decision was taken by the parent company to refinance the bond for a new 5 year term but at a significantly lower interest rate. A new bond was issued in September 2014 carrying fixed interest of 7% and repayable in September 2019 for the amount of SEK 500 million. The increase in the principal amount reflected the funds necessary to settle a) early redemption fees in relation to the original bond, b) arrangement fees and c) the remaining Series A loan notes that were outstanding at the time and which became due for immediate payment upon the event of a refinancing (see below). These arrangements were again mirrored in the intercompany loan between the Company and Diamorph AB (publ) so the new SEK 500 million intercompany loan at 31 December 2014 carries 7% fixed rate interest and is repayable in September 2019. Consistent with the original arrangements, the new intercompany loan is secured by fixed and floating charge over the ordinary shares of Diamorph UK Ltd and Modular Stock Ltd.

A non-interest-bearing intercompany term loan amounting to SEK 55,550,500 is also owed to the parent undertaking and was created at the time of the acquisition of Modular Stock Ltd in 2012. The loan is repayable at the later of July 2018 or the date of final settlement of the Series A loan notes; now the Series A loan notes have been fully settled (see below), the loan is repayable in July 2018. The fair value of the loan was calculated using the effective interest rate method with an interest rate of 10%.

Non-interest-bearing Series A loan notes of £8m (SEK 85,863,000) due to former shareholders of Modular Stock Ltd outstanding at 31 December 2013 were repaid in full during the year. The loan notes were repayable by instalments of £5m, £1.75m and £1.25m in July 2014, July 2015 and December 2015 respectively. The repayments scheduled for 2015 were accelerated by the decision of Diamorph AB (publ) to refinance its bond during the year.

Notes (continued)

8 Provisions for liabilities and charges

	2014 SEK000	2013 SEK000
At beginning of year	3,962	4,720
Credit to the profit and loss for the year (see note 4)	(423)	(758)
	<u>3,539</u>	<u>3,962</u>
At end of year	<u>3,539</u>	<u>3,962</u>

The elements of deferred taxation are as follows:

	2014 SEK000	2013 SEK000
Other temporary differences	3,539	3,962
Deferred tax liability	<u>3,539</u>	<u>3,962</u>

9 Called up share capital

	2014 SEK000	2013 SEK000
<i>Allotted, called up and fully paid</i> 8,104,000 ordinary shares of £1 each	<u>87,381</u>	<u>87,381</u>

10 Capital contribution reserve

	2014 SEK000	2013 SEK000
Capital contribution reserve	<u>24,194</u>	<u>24,194</u>

The capital contribution reserve reflects the value of the contribution by the parent company at the start of the non-interest-bearing intercompany term loan in July 2012.

11 Ultimate parent company and parent undertaking of larger group of which the company is a member

The Company's immediate and ultimate parent company is Diamorph AB (publ), a company incorporated in Sweden.

Copies of Diamorph AB (publ)'s consolidated financial statements may be obtained from Diamorph AB (publ), c/o Serendipity Innovations AB, Stureplan 15, SE-111 45, Stockholm, Sweden.

12 Explanation of transition to FRS 101 from old UK GAAP

Opening FRS101 balance sheet at 1 Jan 2013

	31 December 2012 as previously stated £000	Adjustment 1 Translation to SEK SEK '000s	Adjustment 2 SEK '000s	Adjustment 3 SEK '000s	1 Jan 2013 Opening FRS101 SEK '000s
Investments	62,920	678,427	-	-	678,427
Cash	11	113	-	-	113
Creditors: amounts falling due within one year:					
Trade creditors	(17)	(178)	-	-	(178)
Amounts owed to group undertakings	(3,139)	(44,378)	-	-	(44,378)
Series A loan notes	(2,500)	(26,331)	-	-	(26,331)
	(5,656)	(70,887)	-	-	(70,887)
Creditors: amounts falling due after more than one year:					
Amounts owed to parent undertaking	(45,323)	(470,622)	22,924	-	(447,698)
Series A loan notes	(8,000)	(84,259)	-	-	(84,259)
	(53,323)	(554,881)	22,924	-	(531,957)
Provisions for liabilities and charges	-	-	-	(4,720)	(4,720)
Net assets	3,952	52,772	22,924	(4,720)	70,976
Called up share capital	8,104	87,381	-	-	87,381
Capital contribution reserve	-	-	24,194	-	24,194
Profit and loss account	(4,152)	(34,609)	(1,270)	(4,720)	(40,599)
Shareholders' funds	3,952	52,772	22,924	(4,720)	70,976

Adjustments:

- Under IAS 21 the functional currency of the entity has been determined to be Swedish Krona (SEK) by reference to the fact that it is an intermediate holding company carrying out activities as an extension of the Swedish parent. This approach is different from SSAP 20 which was less prescriptive/restrictive.
- Impact of accounting for the fair value of the non-interest-bearing intercompany term loan at 1 January 2013, using an effective interest rate of 10% and recognition of the capital contribution made by the parent company at the start of the loan.
- Deferred tax liability arising at 1 January 2013 on adjustment 2.

Restatement of prior year to FRS101

	31 December 2013 as previously stated	Adjustment 1 Translation to SEK	Adjustment 2	Adjustment 3	Adjustment 4	Adjustment 5	31 December 2013 FRS101
	£000	SEK '000s	SEK '000s	SEK '000s	SEK '000s	SEK '000s	SEK '000s
Profit and loss account							
Administrative expenses	(300)	(3,234)	-	-	-	-	(3,234)
Operating loss	(300)	(3,234)	-	-	-	-	(3,234)
Interest payable and similar charges	(5,484)	(59,759)	-	(3,263)	-	-	(63,022)
Loss on ordinary activities before taxation	(5,784)	(62,993)	-	(3,263)	-	-	(66,256)
Tax on loss on ordinary activities	-	-	-	-	-	758	758
Loss for the financial year	(5,784)	(62,993)	-	(3,263)	-	758	(65,498)

Diamorph UK Limited
Registered number 08071521
Directors' report and financial statements
Year ended 31 December 2014

	31 December 2013 as previously stated £000	Adjustment 1 Translation to SEK SEK '000s	Adjustment 2 SEK '000s	Adjustment 3 SEK '000s	Adjustment 4 SEK '000s	Adjustment 5 SEK '000s	31 December 2013 as restated SEK '000s
Balance sheet							
Investments	62,920	678,427	-	-	-	-	678,427
Creditors: amounts falling due within one year							
Amounts owed to parent undertaking	(3,105)	(33,006)	-	-	-	-	(33,006)
Amounts owed to subsidiary undertaking	(9,540)	(102,396)	-	-	-	-	(102,396)
Series A loan notes	(5,000)	(53,664)	-	-	-	-	(53,664)
	(17,645)	(189,066)	-	-	-	-	(189,066)
Creditors: amounts falling due after more than one year:							
Amounts owed to parent undertaking	(44,107)	(467,383)	22,924	(3,263)	-	-	(447,722)
Series A loan notes	(3,000)	(32,199)	-	-	-	-	(32,199)
	(47,107)	(499,582)	22,924	(3,263)	-	-	(479,921)
Provisions for liabilities and charges	-	-	-	-	(4,720)	758	(3,962)
Net assets	(1,832)	(10,221)	22,924	(3,263)	(4,720)	758	5,478
Called up share capital	8,104	87,381	-	-	-	-	87,381
Capital contribution reserve	-	-	24,194	-	-	-	24,194
Profit and loss account brought forward	(4,152)	(34,609)	(1,270)	-	(4,720)	-	(40,599)
Profit and loss for the year	(5,784)	(62,993)	-	(3,263)	-	758	(65,498)
Shareholders' funds	(1,832)	(10,221)	22,924	(3,263)	(4,720)	758	5,478

Adjustments:

1. Under IAS 21 the functional currency of the entity has been determined to be Swedish Krona (SEK) by reference to the fact that it is an intermediate holding company carrying out activities as an extension of the Swedish parent. This approach is different from SSAP 20 which was less prescriptive/restrictive.
2. Impact of accounting for the fair value of the non-interest-bearing intercompany term loan at 1 January 2013, using an effective interest rate of 10% and recognition of the capital contribution made by the parent company at the start of the loan.
3. Impact of applying effective rate interest rate method in the year ended 31 December 2013 on the non-interest-bearing intercompany loan.
4. Deferred tax liability arising at 1 January 2013 on adjustment 2.
5. Deferred tax movement through profit and loss account in the year ended 31 December 2013 on adjustment 3.