

**Fresenius Medical Care Renal Services (UK)
Limited (formerly Total Renal Care (UK) Limited)**

**Director's report and financial
statements**

Registered number 03353201

31 December 2004



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Directors' report

The director of Fresenius Medical Care Renal Services (UK) Limited (formerly Total Renal Care (UK) Limited) presents his annual report and the audited financial statements for the year ended 31 December 2004.

Change of name

On 6 February 2004 the company changed its name from Total Renal Care (UK) Limited to Fresenius Medical Care Renal Services (UK) Limited.

Principal activities

The company recommenced trading in the year and the company's principal activity is to provide dialysis services. A full dialysis treatment service is provided to a number of Health Trusts in the UK.

Business review

The company made a loss on ordinary activities after taxation for the year of £95,000 (2003: profit £10,000). No dividend has been proposed or paid (2003: *£nil*).

Director and director's interests

The director of the company who served during the year ended 31 December 2004 was as follows:

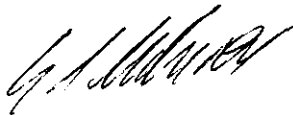
P O'Brien

The director had no beneficial interest in the shares of the company at any time during the year which requires notification under section 324(2) of the Companies Act 1985.

Auditors

A resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



S Mahoney
Company Secretary

Nunn Brook Road
Huthwaite
Nottinghamshire
NG17 2HU

5 July 2005

Statement of director's responsibilities

Company law requires the director to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. He has general responsibility for taking such steps as are reasonably open to him to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

St Nicholas House
Park Row
Nottingham
NG1 6FQ

Independent auditors' report to the members of Fresenius Medical Care Renal Services (UK) Limited (formerly Total Renal Care (UK) Limited)

We have audited the financial statements on pages 4 to 12.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the director and auditors

The director is responsible for preparing the director's report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the director's report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

5 July 2005

*Chartered Accountants
Registered Auditor*

Profit and loss account
for the year ended 31 December 2004

	<i>Note</i>	2004 £000	2003 £000
Turnover	2	1,934	279
Cost of providing services		(2,067)	(265)
Gross (loss)/profit		(133)	14
Administrative expenses		-	-
Operating (loss)/profit		(133)	14
Other interest receivable and similar income		-	-
Interest payable and similar charges	5	(2)	-
(Loss)/profit on ordinary activities before taxation	6	(135)	14
Tax on (loss)/profit on ordinary activities	7	40	(4)
(Loss)/profit for the financial year	11	(95)	10

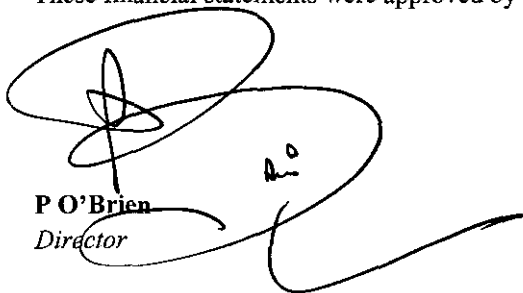
The company did not trade during the preceding year. In both the current and preceding year, the company made no material acquisitions and had no discontinued activities.

There were no recognised gains or losses in either the current or preceding year other than those disclosed in the profit and loss account.

Balance sheet
as at 31 December 2004

	<i>Note</i>	2004	2003	
		£000	£000	£000
Current assets				
Debtors - amounts due within one year		388		287
- amounts due after more than one year		1,048		963
	8	1,436		1,250
		1,436		1,250
Creditors: amounts falling due within one year	9	(326)		(45)
Net current assets			1,110	1,205
Net assets			1,110	1,205
Capital and reserves				
Called up share capital	10	1,858		1,858
Profit and loss account	11	(748)		(653)
Equity shareholders' funds	12	1,110		1,205

These financial statements were approved by the director on 5 July 2005



P O'Brien
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Cash flow statement

The company is exempt from the requirement of Financial Reporting Standard No 1 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking.

Pensions and other post-retirement benefits

The company operates a funded pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company.

The pension costs charged against profits are based on an actuarial method and actuarial assumptions designed to spread the anticipated pension costs over the service lives of employees in the scheme. This method seeks to ensure that the regular pension cost represents a level percentage of the current and expected future pensionable salary costs, based on current actuarial assumptions. Variations from regular costs are spread over the average remaining service lives of current employees in the pension scheme.

Deferred taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

2 Turnover

Turnover represents the invoiced amount for dialysis services provided to customers and is derived from activities in the United Kingdom.

3 Director's remuneration

	2004 £000	2003 £000
Director's emoluments	-	-

Retirement benefits are accruing under a defined benefit scheme to no directors (2003: none).

Notes (continued)

4 Staff numbers and costs

The average number of persons employed by the company (including the director) during the year was 91 (2003: 11).

	2004 £000	2003 £000
Wages and salaries	1,853	237
Social security costs	176	22
Other pension costs (see note 12)	29	6
	2,058	265

5 Interest payable and similar charges

	2004 £000	2003 £000
Group interest payable	2	-
	2	-

6 (Loss)/profit on ordinary activities before taxation

	2004 £000	2003 £000
<i>(Loss)/profit on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration - audit services	1	-
Operating lease costs - other	-	-
	-	-

7 Tax on (loss)/profit on ordinary activities

	2004 £000	2003 £000
UK corporation tax at 30% (2003: 30%)	(40)	4
Adjustment in respect of prior years	-	-
	(40)	4
Total current tax	(40)	4
Deferred tax	-	-
Current year movement	-	-
	(40)	4

Notes *(continued)*

7 Tax on (loss)/profit on ordinary activities *(continued)*

Factors affecting the tax charge for the current year

The current tax charge for the year is the same as *(2003: the same as)* the standard rate of corporation tax in the UK of 30% *(2003: 30%)*. The differences are explained below:

	2004 £000	2003 £000
<i>Current tax reconciliation:</i>		
(Loss)/profit on ordinary activities before tax	(135)	14
	<hr/>	<hr/>
Current tax at 30% <i>(2003: 30%)</i>	(40)	4
	<hr/>	<hr/>
Total current tax (credit)/charge	(40)	4
	<hr/> <hr/>	<hr/> <hr/>

8 Debtors

	2004		2003	
	Due within one year £000	Due after one year £000	Due within one year £000	Due after one year £000
Trade debtors	388	-	287	-
Amounts owed by group undertakings	-	1,048	-	963
	<hr/>	<hr/>	<hr/>	<hr/>
	388	1,048	287	963
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

9 Creditors: amounts falling due within one year

	2004 £000	2003 £000
Amounts owed to group undertakings	208	-
Corporation tax	-	4
Other creditors including taxation and social security	118	41
	<hr/>	<hr/>
	326	45
	<hr/> <hr/>	<hr/> <hr/>

10 Called up share capital

	2004 £000	2003 £000
<i>Authorised, allotted, called up and fully paid:</i>		
910,305 'A' ordinary shares of £1 each	910	910
947,460 'B' ordinary shares of £1 each	948	948
	<hr/>	<hr/>
	1,858	1,858
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

11 Reserves

	Profit and loss account £000
At 1 January 2003	(653)
Loss for the year	(95)
	(748)
At 31 December 2004	(748)

12 Reconciliation of movement in equity shareholders' funds

	2004 £000	2003 £000
(Loss)/profit for the financial year	(95)	10
Net (reduction in)/addition to equity shareholders' funds	(95)	10
Opening equity shareholders' funds	1,205	1,195
Closing equity shareholders' funds	1,110	1,205

13 Pension scheme

The Company operates a funded defined benefit pension plan for its employees as part of the Fresenius Medical Care Pension Plan ('the Plan').

The accounting policy is to provide for pension liabilities on a systematic basis over the period of employment of pension plan members. The funding policy is similar, although the incidence of contributions and pension costs may not be exactly the same.

The pension costs in relation to the pension plan for the year ended 31 December 2004 totalled £29,000 (2003: £6,000).

The pension costs and provision have been assessed in accordance with advice received from the actuary to the pension plan on the basis of an actuarial review of the financial status of the Plan carried out as at 1 April 2000. The pension costs were assessed using the projected unit actuarial costing method based on assumptions including a long-term rate of investment return on assets of 7.0% per annum compound, increases in members' pensionable salaries of 4.4%, pension increases at 2.4% per annum compound (with the exception of members' GMPs which are increased in accordance with statutory requirements) and an allowance for mortality and members leaving service.

The actuarial valuation as at 1 April 2000 concluded that the Plan is 140% funded at the valuation date using the Minimum Funding Requirement prescribed assumptions and methodology, and that on the assumption that the Plan continues, the assets of the Plan at the valuation date were 13% higher than the accrued liabilities based on projected final pensionable salaries. The actuaries did not recommend any variation from the regular contribution level.

The actuarial valuation as at 1 April 2003 has been performed, however it has not been finalised as at the date of approval of these financial statements.

Notes (continued)

13 Pension scheme (continued)

Additional FRS 17 disclosures

Whilst the company continues to account for pension costs in accordance with SSAP 24 'Accounting for pensions costs', under FRS 17 'Retirement benefits', the following transitional disclosures are required.

As described above, the company operates a defined benefit plan for its employees as part of the Fresenius Medical Care Pension Plan. This is a multi-employer scheme, contributions into which are made by companies within the Fresenius Medical Care (Holdings) Limited group. Since the company is unable to identify its share of underlying assets within the scheme on a consistent and reasonable basis it has taken advantage of the exemption contained within paragraph 9(b) of FRS 17 and has accounted for contributions to the scheme as though it were a defined contribution scheme.

The following information concerning the assets and liabilities of the scheme is available.

Composition of the Scheme

The group operates a defined benefit scheme in the UK. A full actuarial valuation was carried out at 1 April 2000 and updated to 31 December 2004 by a qualified independent actuary. The major assumptions used by the actuary were (in nominal terms):

	2004 %	2003 %	2002 %
Rate of increase in salaries	4.6	4.6	4.4
Rate of increase of pensions in payment	2.8	2.8	2.4
Discount rate	5.3	5.4	5.6
Inflation assumption	2.8	2.8	2.4

The assets in the scheme and the expected rate of return were:

	2004 %	2004 £000	2003 %	2003 £000	2002 %	2002 £000
Equities	6.0	1,922	6.0	1,464	6.0	916
Bonds	4.9	729	5.1	567	5.0	411
Property	6.0	-	6.0	-	6.0	-
		<hr/>		<hr/>		<hr/>
Total market value of assets		2,651		2,031		1,327
Actuarial value of liability		(3,684)		(2,995)		(1,982)
		<hr/>		<hr/>		<hr/>
Recoverable deficit in the scheme		(1,033)		(964)		(655)
Related deferred tax asset		310		289		197
		<hr/>		<hr/>		<hr/>
Net pension liability		(723)		(675)		(458)
		<hr/> <hr/>		<hr/> <hr/>		<hr/> <hr/>

Notes *(continued)*

13 Pension scheme *(continued)*

Analysis of amount charged to operating profit

	2004 £000	2003 £000
Current service cost	343	355
Past service cost	-	-
	343	355

Analysis of amounts in other finance costs

	2004 £000	2003 £000
Expected return on Plan assets	128	87
Interest on pension liabilities	(170)	(122)
	(42)	(35)
Refund of unrecognised surplus	-	-
	(42)	(35)

Analysis of amount recognised in total recognised gains and losses

	2004 £000	2003 £000
Actual return less expected return on assets	9	215
Experience gain/(loss) on liabilities	(25)	36
Changes in assumptions underlying the present value of the scheme liabilities	(105)	(534)
	(121)	(283)

Movement in deficit during the year

	2004 £000	2003 £000
Deficit at beginning of year	(964)	(655)
Movement in year:		
Current service cost	(343)	(355)
Contributions	437	364
Net return on assets/(interest cost)	(42)	(35)
Actuarial loss	(121)	(283)
	(1,033)	(964)

Notes *(continued)*

13 Pension scheme *(continued)*

History of experience gains and losses

	2004	2003	2002
<i>Difference between expected and actual return on</i>			
<i>Plan assets:</i>			
Amount (£000)	9	215	(345)
Percentage of Plan assets	0%	11%	(26%)
 <i>Experience gain/(loss) on plan liabilities:</i>			
Amount (£000)	(25)	36	(5)
Percentage of Plan assets	(1%)	1%	0%
 <i>Total amount recognised in statement of total</i>			
<i>recognised gains and losses:</i>			
Amount (£000)	(121)	(283)	(401)
Percentage of Plan liabilities	(3%)	(9%)	(20%)

14 Related party transactions

As the company is a wholly owned subsidiary of Fresenius Medical Care AG the company has taken advantage of the exemption contained within Financial Reporting Standard Number 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Fresenius Medical Care AG, within which this company is included, can be obtained from the address given in note 15.

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

The company is a wholly owned subsidiary of Fresenius Medical Care (Holdings) Limited, a company incorporated in Great Britain, whose ultimate parent company is Fresenius AG which is incorporated in Germany and is regarded as the controlling party.

The smallest group of companies which publishes consolidated financial statements and of which the company is a member is Fresenius Medical Care (Holdings) Limited. The consolidated financial statements of this company are available to the public and may be obtained from Fresenius Medical Care (Holdings) Limited, Nunn Brook Road, Huthwaite, Nottinghamshire, NG17 2HU.

The Fresenius AG group financial statements can be obtained from Fresenius AG, Else-Kröner Strasse 1, D-61352 Bad Homburg, Germany.