Fresenius Medical Care Renal Services (UK) Limited

Directors' report and financial statements

Registered number 03353201

31 December 2011

Contents

Directors' report

The directors of Fresenius Medical Care Renal Services (UK) Limited present their annual report and the audited financial statements for the year ended 31 December 2011

Principal activities

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

During 2011 the company has continued to expand its services of Renal Dialysis, opening 3 new treatment centres The number of treatments delivered has grown by 5% from 2010 Further growth of treatments is expected in 2012 and 2013 from new clinics currently under construction, where contracts have already been secured

While the shape of the haemodialysis market is going through a period of change due to changes in the National Health Service, Fresenius continues to expand its market share by focusing on quality of care, technology, regulatory compliance and environmental awareness

The key KPI's used in the business are the development of patient numbers and the ratio between nursing costs and patient treatments The key challenge facing the business is the efficient retention of qualified renal nurses

Results and dividends

The company made a loss on ordinary activities after taxation for the year of £1,350,000 *(2010 loss of £1,054,000)* The directors do not recommend the payment of a dividend *(2010 £nil)*

Directors

The directors of the company who served during the year and at the date of this report were as follows

P O'Brien
C Houghton
N Richards

Fresenius Medical Care SE provided qualifying indemnity insurance to the directors of the company during the financial year and at the date of this report

Financial risk management

The company's activities expose it to a variety of financial risks that include credit risk, interest rate risk and foreign exchange exposure Senior operating management and directors regularly review financial risk against established policies

Credit risk - Where appropriate, credit checks are performed on potential customers before sales are transacted The amount of exposure to any individual customer is controlled by means of a credit limit that is monitored regularly by management and, in the case of a financially material value, by the executive directors

Interest rate risk - The company is exposed to movements in the level of interest rates

Foreign exchange risk - Trading activities of the company create exposure to movements in foreign exchange rates, principally the Euro This exposure risk is managed through matching foreign exchange contracts Authorisation levels for foreign exchange contracts are in place for both the amount and period of forward cover and are subject to regular independent review by senior management

Directors' report *(continued)*

Disclosure of information to auditors

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 auditors are unaware, and that they have taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Disabled persons

It is the company's policy to make no distinction between the disabled and the able-bodied in recruitment, career development and promotion

Employee involvement

Arrangements exist to keep all employees informed on matters of concern to them and, following publication of the company's results, information is disseminated widely

Auditors

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

By order of the board

S Mahoney
Company Secretary

Nunn Brook Road
Huthwaite
Nottinghamshire
NG17 2HU

25 July 2012

Statement of Directors' responsibilities in respect of the Directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

KPMG

Independent auditor's report to the members of Fresenius Medical Care Renal Services (UK) Limited

We have audited the financial statements of Fresenius Medical Care Renal Services (UK) Limited for the year ended 31 December 2011 set out on pages 5 to 13 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 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 (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/private cfm

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 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

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

CN Parkin *(Senior Statutory Auditor)*

for and on behalf of KPMG LLP, Statutory Auditor Dated 25 July 2012

Chartered Accountants
St Nicholas House
Park Row
Nottingham NG1 6FQ

Profit and loss account

for the year ended 31 December 2011

	Note	2011 £000	2010 £000
Turnover	*2*	**12,377**	11,739
Cost of providing services		**(14,214)**	(13,108)
Gross and operating loss		**(1,837)**	(1,369)
Interest receivable		**-**	1
Loss on ordinary activities before taxation	*5*	**(1,837)**	(1,368)
Tax on loss on ordinary activities	*6*	**487**	314
Loss for the financial year	*12*	**(1,350)**	(1,054)

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 2011

	Note	2011 £000	2011 £000	2010 £000	2010 £000
Fixed assets					
Investments in subsidiaries	7				
Current assets					
Debtors	8	2,585		4,524	
Creditors amounts falling due within one year	9	(420)		(1,009)	
Net current assets			2,165		3,515
Total assets less current liabilities			2,165		3,515
Creditors amounts falling due after more than one year	10		(2,862)		(2,862)
Net (liabilities)/assets			(697)		653
Capital and reserves					
Called up share capital	11		1,858		1,858
Profit and loss account	12		(2,555)		(1,205)
Shareholder's (deficit)/funds	13		(697)		653

These financial statements were approved by the board of directors on 25 July 2012 and were signed on their behalf by

P O'Brien
Director

Registered number 03353201

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

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 and not about its group

The financial statements have been prepared on the going concern basis, notwithstanding net liabilities of £697,000, which the directors believe to be appropriate for the following reasons The company is dependent for its working capital on funds provided to it by Fresenius Medical Care Holdings Limited, the parent company of the entity Fresenius Medical Care Holdings has indicated that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available The directors consider that this should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment 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

Cash flow statement

The company is exempt from the requirement of FRS 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 defined contribution pension scheme The assets of the scheme are held separately from those of the Company in an independently administered fund The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period

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

This is a multi-employer scheme, contributions into which are made by companies within the Fresenius Medical Care (Holdings) Limited group The group has fully adopted FRS 17 'Retirement Benefits' 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 accounts for contributions to the scheme as though it were a defined contribution scheme

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing difference between the treatment of certain items for taxation and accounting purposes

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

Notes *(continued)*

1 Accounting policies *(continued)*

Classification of financial instruments issued by the company

Financial instruments issued by the company are treated as equity (i e forming part of shareholder's funds) only to the extent that they meet the following two conditions

a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company, and

b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges Finance payments associated with financial instruments that are classified as part of shareholder's funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholder's funds

Dividends on shares presented within shareholder's funds

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

2 Turnover

Turnover represents the invoiced amount for dialysis services provided to customers and is derived from activities in the United Kingdom Revenue is recognised when the risks and rewards associated with the provision of treatments has substantially transferred, in accordance with the contract with the respective healthcare body

3 Directors' remuneration

	2011 £000	2010 £000
Directors' emoluments	-	-

No retirement benefits are accruing under a defined benefit scheme to the directors *(2010 none)*

Directors' emoluments have been borne by another group company The directors of the company are also directors or officers of a number of the companies within the group The directors' services to the company do not occupy a significant amount of their time As such the directors do not consider that they have received any remuneration for their incidental services to the company for the years ended 31 December 2011 or 31 December 2010

Notes *(continued)*

4 Staff numbers and costs

The average number of employees, including executive directors, during the year was as follows

	2011 Number	2010 Number
Administration	23	20
Nursing services	379	330
	402	350

	2011 £000	2010 £000
Wages and salaries	10,672	9,061
Social security costs	1,037	868
Other pension costs (see note 13)	107	102
	11,816	10,031

5 Loss on ordinary activities before taxation

	2011 £000	2010 £000
Loss on ordinary activities before taxation is stated after charging		
Auditor's remuneration		
- audit of these financial statements	5	5

The costs of taxation services provided by the auditors relating to these financial statements have been borne by another group company

6 Tax on loss on ordinary activities

	2011 £000	2010 £000
UK corporation tax at 26 5% *(2010 28%)*	(487)	(380)
Adjustment in respect of prior years	-	69
Total current tax	(487)	(311)
Deferred tax		
Other timing differences	-	(3)
	(487)	(314)

Notes *(continued)*

6 Tax on loss on ordinary activities *(continued)*

Factors affecting the tax credit for the current year

The current tax credit for the year is equal to *(2010 higher than)* the standard rate of corporation tax in the UK of 26 5% *(2010 28%)* The differences are explained below

	2011 £000	2010 £000
Current tax reconciliation		
Loss on ordinary activities before tax	**(1,837)**	(1,368)
Current tax at 26 5% *(2010 28%)*	**(487)**	(383)
Effect of		
Other timing differences	**-**	3
Adjustment in respect of prior years	**-**	69
Total current tax credit	**(487)**	(311)

Deferred tax

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014 A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and a further reduction to 24% (effective from 1 April 2012) was substantively enacted on 26 March 2012

This will reduce the company's future current tax charge accordingly and further reduce the deferred tax asset at 31 December 2011 (which has been calculated based on the rate of 25% substantively enacted at the balance sheet date) by £150

The announced further 2% rate reduction to 22% will reduce the company's future current tax charge and further reduce the deferred tax asset by £300

7 Investments in subsidiaries

The following are subsidiary undertakings of the company, all of which are incorporated in Great Britain and are held directly

Name of undertaking	**Percentage holding of ordinary shares**	**Principal activity**
Optimal Renal Care UK Limited	100	Provision of dialysis and related services

Notes *(continued)*

8 Debtors

	2011 £000	2010 £000
Trade debtors	**2,033**	2,142
Amounts owing from group undertakings	**548**	2,378
Deferred tax asset	**4**	4
	2,585	4,524

Deferred tax asset

	2011 £000	2010 £000
The balance relates to deferred tax on		
Short term timing differences on provisions	**4**	4

	£000	£000
Movement		
At beginning of year	**4**	1
Credit to profit and loss account	**-**	3
At end of year	**4**	4

9 Creditors: amounts falling due within one year

	2011 £000	2010 £000
Amounts owed to group undertakings	**126**	669
Other creditors including taxation and social security	**294**	272
Corporation tax	**-**	68
	420	1,009

10 Creditors: amounts falling due after more than one year

	2011 £000	2010 £000
Amounts owed to group undertakings	**2,862**	2,862

The amount repayable to group undertakings is due in more than five years, is unsecured and is non-interest bearing

Notes *(continued)*

11 Called up share capital

	2011 £000	2010 £000
Authorised allotted, called up and fully paid		
910,305 'A' ordinary shares of £1 each	910	910
947,460 'B' ordinary shares of £1 each	948	948
	1,858	1,858

Both classes of shares rank pari passu

12 Reserves

	Profit and loss account £000
At 1 January 2011	(1,205)
Loss for the year	(1,350)
At 31 December 2011	**(2,555)**

13 Reconciliation of movements in shareholder's (deficit)/funds

	2011 £000	2010 £000
Loss for the financial year	**(1,350)**	(1,054)
Net movement in shareholder's (deficit)/funds	**(1,350)**	(1,054)
Opening shareholder's funds	**653**	1,707
Closing shareholder's (deficit)/funds	**(697)**	653

14 Pension scheme

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

This is a multi-employer scheme, contributions into which are made by companies within the Fresenius Medical Care (Holdings) Limited group

Contributions to the Plan during the year totalled £34,000 *(2010 £53,000)* Outstanding contributions at the balance sheet date were £3,000 *(2010 £nil)*

Further information regarding the Plan is given in the consolidated financial statements of Fresenius Medical Care (Holdings) Limited This shows the Plan was in deficit at 31 December 2011 by £3,300,000 *(2010 £2,472,000)*

The company also operates a defined contribution pension scheme The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £73,000 *(2010 £49,000)*

Contributions amounting to £nil *(2010 £5,000)* were payable to the scheme and are included in creditors

Notes *(continued)*

15 Related party transactions

As the company is a wholly owned subsidiary of Fresenius Medical Care SE the company has taken advantage of the exemption contained within FRS 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 SE, within which this company is included, can be obtained from the address given in note 16

16 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 SE 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 largest group of companies which publishes consolidated financial statements and of which the company is a member is Fresenius SE The consolidated financial statements of this company can be obtained from Fresenius SE, Else-Kröner Strasse 1, D-61352 Bad Homburg, Germany