Fresenius Medical Care Renal Services (UK) Limited

Directors' report and financial statements

Registered number 03353201

31 December 2008

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 2008.

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

The company has continued to expand its services of renal dialysis in 2008. There were 9 new centres opened across the UK, with a growth in patient numbers of 10%.

Contracts have been won in 2008 that will mean the opening of 10 new sites in 2009 bringing the total number of centres operated by Fresenius Medical Care to 53. In addition development is underway to move out of existing NHS treatment centres into brand new facilities for several units taken over in 2008.

The key KPI's used in the business are the development of patient numbers and the ratio between nursing costs and patient treatments.

There is a continued commitment to investment in new dialysis centres over the next few years.

The key challenge facing the business is the efficient retention of qualified renal nurses.

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.

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.

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

2 April 2009

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).

The financial statements are required by law to 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as is reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

KPMG LLP
St Nicholas House
Park Row
Nottingham NG1 6FQ

Independent auditors' 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 2008 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

KPMG LLP

2 April 2009

Chartered Accountants
Registered Auditor

Profit and loss account
for the year ended 31 December 2008

	Note	2008 £000	2007 £000
Turnover	2	**8,281**	5,581
Cost of providing services		**(6,660)**	(5,597)
Gross and operating profit/(loss)		**1,621**	(16)
Profit/(loss) on ordinary activities before taxation	5	**1,621**	(16)
Tax on profit/(loss) on ordinary activities	6	**(458)**	(4)
Profit/(loss) for the financial year	10	**1,163**	(20)

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 2008

	Note	2008 £000	2008 £000	2007 £000	2007 £000
Current assets					
Debtors - amounts due within one year	7	3,345		1,299	
Creditors: amounts falling due within one year	8	(1,507)		(624)	
Net current assets			1,838		675
Net assets			1,838		675
Capital and reserves					
Called up share capital	9		1,858		1,858
Profit and loss account	10		(20)		(1,183)
Shareholder's funds	11		1,838		675

These financial statements were approved by the board of director on 2 April 2009 and were signed on their behalf by:

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 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.

Classification of financial instruments issued by the company

Under FRS 25, 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.

Notes *(continued)*

1 Accounting policies *(continued)*

Classification of financial instruments issued by the company (continued)

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

	2008	2007
	£000	£000
Directors' emoluments	**-**	-

No retirement benefits are accruing under a defined benefit scheme to the directors *(2007: none)*.

4 Staff numbers and costs

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

	2008	2007
	Number	Number
Administration	**12**	11
Sales and distribution	**232**	209
	244	220

	2008	2007
	£000	£000
Wages and salaries	**5,998**	5,049
Social security costs	**590**	487
Other pension costs (see note 12)	**72**	68
	6,660	5,604

Notes *(continued)*

5 Profit/(loss) on ordinary activities before taxation

	2008	2007
	£000	£000
Profit/(loss) on ordinary activities before taxation is stated after charging:		
Auditors' remuneration:		
- audit of these financial statements	**1**	1

6 Tax on profit/(loss) on ordinary activities

	2008	2007
	£000	£000
UK corporation tax at 28.5% *(2007: 30%)*	**459**	-
Total current tax	**459**	-
Deferred tax		
Other timing differences	**(1)**	
Adjustment in respect of prior years	**-**	4
	458	4

Factors affecting the tax charge for the current year

The current tax charge for the year is higher *(2007: higher)* than the standard rate of corporation tax in the UK of 28.5% *(2007: 30%)*. The differences are explained below:

	2008	2007
	£000	£000
Current tax reconciliation:		
Profit/(loss) on ordinary activities before tax	**1,621**	(16)
Current tax at 28.5% *(2007: 30%)*	**454**	(5)
Effect of:		
Other timing differences	**(3)**	(3)
Losses surrendered to group companies	**-**	8
Change in tax rate from 30% to 28%	**8**	-
Total current tax charge	**459**	-

7 Debtors

	2008	2007
	£000	£000
Trade debtors	**2,435**	744
Prepayments and accrued income	**-**	555
Amounts owing from group undertakings	**909**	-
Deferred tax asset	**1**	-
	3,345	1,299

Notes *(continued)*

7 Debtors *(continued)*

Deferred tax asset

	2008	2007
	£000	£000
The balance relates to deferred tax on:		
Other timing differences	1	-

	£000	£000
Movement:		
At beginning of year	-	4
Credit/(debit) to profit and loss account	1	(4)
At end of year	1	-

8 Creditors: amounts falling due within one year

	2008	2007
	£000	£000
Amounts owed to group undertakings	1,233	448
Other creditors including taxation and social security	182	176
Corporation tax	92	-
	1,507	624

9 Called up share capital

	2008	2007
	£000	£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.

10 Reserves

	Profit and loss account £000
At 1 January 2008	(1,183)
Profit for the year	1,163
At 31 December 2008	**(20)**

Notes *(continued)*

11 Reconciliation of movement in shareholder's funds

	2008	2007
	£000	£000
Profit/(loss) for the financial year	**1,163**	(20)
Net addition to/(reduction in) shareholder's funds	**1,163**	(20)
Opening shareholder's funds	**675**	695
Closing shareholder's funds	**1,838**	675

12 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 £32,000 *(2007: £33,000)*. There were no outstanding or prepaid contributions at the balance sheet date.

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 2008 by £1,325,000 *(2007: £1,838,000)*.

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 £40,000 *(2007: £35,000)*.

Contributions amounting to £2,800 *(2007: £1,700)* were payable to the scheme and are included in creditors.

13 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 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 SE, within which this company is included, can be obtained from the address given in note 14.

14 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.