

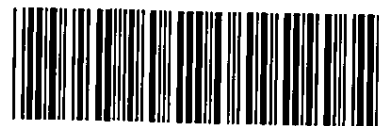
**Fresenius Medical Care Renal Services
(UK) Limited**

**Directors' report and financial
statements**

Registered number 03353201

31 December 2007

THURSDAY



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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 2007

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 made a loss on ordinary activities after taxation for the year of £20,000 (2006 loss of £256,000). No dividend has been proposed or paid (2006 £nil).

Fresenius Medical Care continues to be the UK market leader in the provision of renal dialysis. In December 2007 there were 38 centres with patient numbers rising by 13% and treatment growth of 15%.

In addition to this, Fresenius continues to win and open other new centres.

The key cost challenge is the control of staff costs and levels. Qualified renal nurses continue to be a scarce resource for both the NHS and Fresenius. Fresenius has been successful in re-tendering its current contracts, however, there is always a risk of the loss of a contract. The risks are low and the financial implications are also not material as units can be utilised for holiday dialysis and other alternative uses.

Directors

The director of the company who served during the year ended 31 December 2007 was as follows:

P O'Brien

The following directors were appointed following the year end:

C Houghton - appointed 20 August 2008

N Richards - appointed 20 August 2008

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

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

3 October 2008

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 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 2007 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 2007 and of its loss 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

3 October 2008

*Chartered Accountants
Registered Auditor*

Profit and loss account
for the year ended 31 December 2007

| | <i>Note</i> | 2007 £000 | 2006 £000 |
|--|-------------|----------------------------|--------------|
| Turnover | 2 | 5,581 | 4,087 |
| Cost of providing services | | (5,597) | (4,457) |
| Gross and operating loss | | <u>(16)</u> | <u>(370)</u> |
| Loss on ordinary activities before taxation | 5 | (16) | (370) |
| Tax on loss on ordinary activities | 6 | (4) | 114 |
| Loss for the financial year | 10 | <u>(20)</u> | <u>(256)</u> |

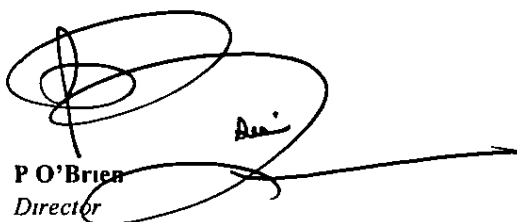
In both the current and preceding year, the company made no material acquisitions and had no discontinued activities

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 2007

| | <i>Note</i> | 2007 | 2006 |
|--|-------------|---------|---------|
| | | £000 | £000 |
| Current assets | | | |
| Debtors - amounts due within one year | | 1,299 | 1,181 |
| Creditors, amounts falling due within one year | 8 | (624) | (486) |
| Net current assets | | 675 | 695 |
| Net assets | | 675 | 695 |
| Capital and reserves | | | |
| Called up share capital | 9 | 1,858 | 1,858 |
| Profit and loss account | 10 | (1,183) | (1,163) |
| Shareholders' funds | 11 | 675 | 695 |

These financial statements were approved by the director on 3 October 2008



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 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 loss 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 shareholders' 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 shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Notes *(continued)*

1 Accounting policies *(continued)*

Dividends on shares presented within shareholders' 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 on provision of the services, when the risks and rewards associated with providing the service have been substantially transferred.

3 Directors' remuneration

| | 2007 £000 | 2006 £000 |
|-----------------------|--------------|--------------|
| Directors' emoluments | - | - |

No retirement benefits are accruing under a defined benefit scheme to the director *(2006 none)*

4 Staff numbers and costs

The average number of persons employed by the company (including the director) during the year was 240 *(2006 167)*

| | 2007 £000 | 2006 £000 |
|-----------------------------------|--------------|--------------|
| Wages and salaries | 5,049 | 4,012 |
| Social security costs | 487 | 391 |
| Other pension costs (see note 12) | 68 | 54 |
| | 5,604 | 4,457 |

5 Loss on ordinary activities before taxation

| | 2007 £000 | 2006 £000 |
|---|--------------|--------------|
| <i>Loss on ordinary activities before taxation is stated after charging</i> | | |
| <i>Auditors' remuneration</i> | | |
| - audit of these financial statements | 1 | 1 |

Notes *(continued)*

6 Tax on loss on ordinary activities

| | 2007 £000 | 2006 £000 |
|--------------------------------------|--------------|--------------|
| UK corporation tax at 30% (2006 30%) | - | (111) |
| Total current tax | - | (111) |
| <i>Deferred tax</i> | | |
| Current year movement | - | - |
| Adjustment in respect of prior years | 4 | (3) |
| | 4 | (114) |
| | 4 | (114) |

Factors affecting the tax charge for the current year

The current tax charge for the year is higher than (2006 the same as) the standard rate of corporation tax in the UK of 30% (2006 30%). The differences are explained below

| | 2007 £000 | 2006 £000 |
|--|--------------|--------------|
| <i>Current tax reconciliation</i> | | |
| Loss on ordinary activities before tax | (16) | (370) |
| Current tax at 30% (2006 30%) | (5) | (111) |
| Other timing differences | (3) | |
| Losses surrendered to group companies | 8 | - |
| Total current tax credit | - | (111) |
| | - | (111) |

7 Debtors

| | 2007 £000 | 2006 £000 |
|--------------------------------|--------------|--------------|
| Trade debtors | 744 | 1,177 |
| Prepayments and accrued income | 555 | - |
| Deferred tax asset | - | 4 |
| | 1,299 | 1,181 |
| | 1,299 | 1,181 |

Notes *(continued)*

7 Debtors *(continued)*

Deferred tax asset

| | 2007 | 2006 |
|---|-------------|-------------|
| | £000 | £000 |
| <i>The balance relates to deferred tax on</i> | | |
| Other timing differences | - | 4 |
| | <u>£000</u> | <u>£000</u> |
| <i>Movement</i> | | |
| At beginning of year | 4 | 1 |
| (Debit)/credit to profit and loss account | (4) | 3 |
| | <u>£000</u> | <u>£000</u> |
| At end of year | - | 4 |

8 Creditors: amounts falling due within one year

| | 2007 | 2006 |
|--|-------------|-------------|
| | £000 | £000 |
| Amounts owed to group undertakings | 448 | 340 |
| Other creditors including taxation and social security | 176 | 146 |
| | <u>£000</u> | <u>£000</u> |
| | 624 | 486 |

9 Called up share capital

| | 2007 | 2006 |
|---|--------------|--------------|
| | £000 | £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 |
| | <u>£000</u> | <u>£000</u> |
| | 1,858 | 1,858 |

Both classes of shares rank pari passu

10 Reserves

| | Profit and loss account £000 |
|---------------------|---|
| At 1 January 2007 | (1,163) |
| Loss for the year | (20) |
| | <u>£000</u> |
| At 31 December 2007 | (1,183) |

Notes *(continued)*

11 Reconciliation of movement in equity shareholders' funds

| | 2007 | 2006 |
|--|-------------|-------------|
| | £000 | £000 |
| Loss for the financial year | (20) | (256) |
| Net reduction in to equity shareholders' funds | (20) | (256) |
| Opening equity shareholders' funds | 695 | 951 |
| Closing equity shareholders' funds | 675 | 695 |

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 £33,000 (2006 £37,000) 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 2007 by £1,838,000 (2006 £1,769,000)

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 £35,000 (2006 £17,000)

Contributions amounting to £1,700 (2006 £1,000) 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