

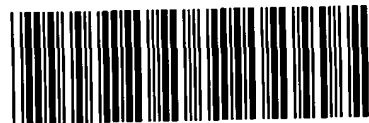
**Fresenius Medical Care Renal Services Limited**

**Directors' report and financial  
statements**

**Registered number 02768342**

**31 December 2017**

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## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 December 2017.

### **Principal activities**

The company's principal activity is to build and operate dialysis clinics. A full dialysis treatment service is provided to a number of Health Trusts in the UK.

### **Results and dividends**

The company made a profit after taxation for the year of £545,000 (2016: loss of £74,000). The directors do not recommend the payment of a dividend (2016: £nil).

### **Directors**

The directors who held office during the year and up to the date of this report are as follows:

D Marcelli	Resigned 17 <sup>th</sup> October 2017
T Wheeldon	
S Willetts	Resigned 1 <sup>st</sup> June 2018
L Bell	Appointed 17 <sup>th</sup> October 2017
H Gijssber	Appointed 17 <sup>th</sup> October 2017

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.

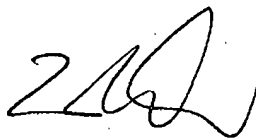
### **Disclosure of information to auditor**

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 is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

### **Auditor**

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

By order of the board



**T Wheeldon**  
Director

Nunn Brook Road  
Huthwaite  
Nottinghamshire  
NG17 2HU

27<sup>th</sup> September 2018

## **Strategic report**

### **Objectives**

The Company's long term objective is to deliver profitable sales performance to the Fresenius Medical Care (Holdings) Limited Group in order to support continued investment in the Group, reduce borrowings and support future dividends to shareholders.

In pursuing this objective the Company intends to maintain sound financial management and avoid excessive risks.

### **Key business strategies**

In pursuit of its objectives the Company has a number of key business strategies which have been successfully implemented over recent years.

We aim to secure increased sales through:

- Keeping patient health and welfare at the forefront of all our activities;
- Improving patient outcomes and achieving in partnership with our customers;
- Providing the best quality dialysis services to our customer base;
- Ensuring outcomes for patients in line with the Renal Association Standards;
- The development of new customers in the UK market;
- Introducing new and innovative service models in patient care.

We plan to improve our gross margin levels through introduction of technology and control measures to drive efficiencies.

We aim to have sufficient local finance for our activities, notwithstanding our ongoing access to additional Group funds to enable opportunities to be secured as they arise.

Strategy is constantly reviewed by the Board in the light of the wider Group strategies and performance, and also the changing market conditions, to ensure it remains appropriate to achieve the Company's objectives.

### **Risks and uncertainties**

The key risk areas of the Company are:

- Customer tender pricing affecting sales and gross margin;
- The loss of key customer accounts;
- Labour cost risks.

The Company seeks to manage as far as possible the key risks that it faces.

Customer tenders for contracts affect the business every year, our tender pricing is under constant review, given the specification of services and competition. Excellent customer service quality as well as strong customer relations will continue to mitigate pricing pressures generated by the ongoing funding restrictions faced by the NHS.

The Company's customer base is strong and has increased in recent years, reducing the financial risks faced by the loss of a customer account. Further efforts to diversify our activities will also help address this concern.

Debt finance is available internally within the Group if required. We anticipate our local trading position will be sufficient to support our working capital requirements throughout 2018 and into 2019.

Having considered the above risks and uncertainties, the Directors have a reasonable expectation that the Company has adequate resources to continue operating for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Nursing staff availability is a key requirement of the business. New processes of electronic rostering and efficient recruitment processes implemented in 2016 have mitigated adverse cost risks and these processes continue to be reviewed.

## Strategic report (continued)

### Key performance indicators

The Company uses a number of financial measures to monitor progress against strategies and corporate objectives. These are summarised below:

	2017 £000	2016 £000
Turnover	38,258	43,066
Operating profit	1,674	1,486
EBITDA	5,707	7,421

In addition to financial measures, the Board also monitors the Company's operations with the objective of ensuring that health and safety is at the core of all working practices. In measuring the success of this, the Board reviews the level of reported incidents and monitors the training being undertaken by all relevant employees.

During the year, performance has been satisfactory and as far as the Board is aware, this is likely to be the case in the forthcoming year.

### Future prospects

The Board is confident that the Company's strategy will continue to deliver results that meet our shareholders' expectations in the years to come.

Turnover decreased by 11% in the year, primarily due to the loss of nine tenders, four of which were won by a different Group entity and five reverted back to the NHS. EBITDA was £5,707,000 (2016: £7,421,000). EBITDA represents earnings before interest, tax, depreciation and amortisation charges.

This decline in EBITDA principally reflects continuing cost pressures and lower economies of scale as clinic numbers reduce.

Based on the Company's forecasts, this trading position provides access to sufficient working capital for the Company to trade on an orderly basis for the foreseeable future, alongside funds expected to be available from support provided by a parent company.

The Company continues to place patient care and wellbeing at the head of its schedule of corporate objectives, and this strategy leads to a culture of providing superior customer service which will drive the Company towards its anticipated future success.

### Employees

The Company employs a small number of disabled people and will continue to do so wherever possible, through recruitment, by retention of persons who become disabled during service and by appropriate training, career development and promotion. The Company endeavours to keep all employees informed of the progress and development of the business.

The Company seeks to ensure that all employees, job applicants and prospective job applicants, are afforded equality of job opportunity in all areas of employment.

The Company's Health & Safety Policy fully recognises the Company's responsibility for the health and safety of employees and members of the community in which they work.

The Company places considerable value on the involvement of its employees and has continued its practice of keeping them informed of matters affecting them as employees, and on various matters affecting the performance of the Company.

## **Strategic report** *(continued)*

### **Environmental policy**

The Company is committed to adopting a responsible approach to environmental matters.

The management of the Company seeks to minimise any adverse impact on the environment from all aspects of the Company's operations by means of environmentally sound disciplines, which take practical steps to control effectively or eliminate any known pollution risks, without entailing excessive cost. Specifically, capital expenditure is directed towards the replacement of hazardous materials with environmentally friendly alternatives and methods of minimising the environmental costs of disposal of waste, the recycling of plastics and cardboard, and the reduction of energy consumption.



**T Wheeldon**  
*Director*

Nunn Brook Road  
Huthwaite  
Nottinghamshire  
NG17 2HU

**21<sup>st</sup> September 2018**

## **Statement of directors' responsibilities in respect of the Directors' Report, the Strategic Report and the financial statements**

The directors are responsible for preparing the Directors' Report, the Strategic 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 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 judgements 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.



## **Independent auditor's report to the members of Fresenius Medical Care Renal Services Limited**

### **Opinion**

We have audited the financial statements of Fresenius Medical Care Renal Services Limited ("the company") for the year ended 31 December 2017 which comprise the Profit and loss account, Balance sheet, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required 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; or

We have nothing to report in these respects.





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

### **Directors' responsibilities**

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

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.

*Neil Calder*

Neil Calder (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
St Nicholas House  
Park Row  
Nottingham  
NG1 6FQ

28 September 2018

**Profit and loss account**  
*for the year ended 31 December 2017*

	<i>Note</i>	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
<b>Turnover</b>	<b>2</b>	<b>38,258</b>	<b>43,066</b>
<b>Cost of sales</b>		<b>(30,825)</b>	<b>(35,033)</b>
<b>Gross profit</b>		<b>7,433</b>	<b>8,033</b>
<b>Administrative expenses</b>		<b>(5,759)</b>	<b>(6,547)</b>
<b>Operating profit</b>		<b>1,674</b>	<b>1,486</b>
Other interest receivable and similar income	<i>6</i>	<i>7</i>	<i>9</i>
Interest payable and similar charges	<i>7</i>	<b>(532)</b>	<b>(607)</b>
<b>Profit before taxation</b>		<b>1,149</b>	<b>888</b>
<b>Tax on profit</b>	<b>8</b>	<b>(604)</b>	<b>(962)</b>
<b>Profit / (Loss) for the financial year</b>		<b>545</b>	<b>(74)</b>

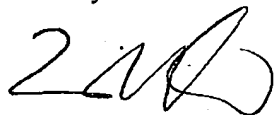
In both the current and preceding year, the company made no material acquisitions and had no discontinued operations.

There were no recognised gains or losses in either the current or preceding year other than those disclosed in the profit and loss account. Accordingly, no separate statement of other comprehensive income has been presented.

**Balance sheet**  
**as at 31 December 2017**

	Note	2017 £000	2016 £000
<b>Fixed assets</b>			
Intangible assets	9	26	63
Tangible assets	10	28,728	38,577
		<u>28,754</u>	<u>38,640</u>
<b>Current assets</b>			
Stocks	11	593	613
Debtors (including £175,000 (2016: £175,000) due after more than one year)	12	37,005	26,672
Cash at bank and in hand		10	6
		<u>37,608</u>	<u>27,291</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(37,374)</u>	<u>(39,498)</u>
<b>Net current assets/(liabilities)</b>		<u>234</u>	<u>(12,207)</u>
<b>Total assets less current liabilities</b>		<u>28,988</u>	<u>26,433</u>
<b>Creditors: amounts falling due after more than one year</b>	14	<u>(5,145)</u>	<u>(3,184)</u>
<b>Provisions for liabilities and charges</b>			
Deferred tax liability	17	(1,956)	(1,716)
Other provisions	16	(1,668)	(1,880)
		<u>20,219</u>	<u>19,653</u>
<b>Net assets</b>		<u>20,219</u>	<u>19,653</u>
<b>Capital and reserves</b>			
Called up share capital	20	10,700	10,700
Profit and loss account		9,519	8,953
<b>Shareholder's funds</b>		<u>20,219</u>	<u>19,653</u>

These financial statements were approved by the board of directors on 21 September 2018 and were signed on its behalf by:



**T Wheeldon**  
*Director*

Company number: 02768342

## Statement of changes in equity

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2016	10,700	8,992	19,692
<b>Total comprehensive expense for the period</b>			
Loss for the year	-	(74)	(74)
<b>Transactions with owners, recorded directly in equity</b>			
Equity-settled share based payment transactions (note 19)	-	35	35
<b>Balance at 31 December 2016</b>	<b>10,700</b>	<b>8,953</b>	<b>19,653</b>
	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2017	10,700	8,953	19,653
<b>Total comprehensive income for the period</b>			
Profit for the year	-	545	545
<b>Transactions with owners, recorded directly in equity</b>			
Equity-settled share based payment transactions (note 19)	-	21	21
<b>Balance at 31 December 2017</b>	<b>10,700</b>	<b>9,519</b>	<b>20,219</b>

## **Notes**

*(forming part of the financial statements)*

### **1 Accounting policies**

Fresenius Medical Care Renal Services Limited (the "Company") is a private company limited by shares and incorporated and domiciled in England in the UK. The registered number of 02768342 and registered office is Nunn Brook Road, Huthwaite, NG17 2HU.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102"). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's parent undertaking, Fresenius Medical Care (Holdings) Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Fresenius Medical Care (Holdings) Limited are prepared in accordance with FRS 102 and are available to the public and may be obtained from the address in note 22. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Fresenius Medical Care (Holdings) Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 *Share Based Payments*; and,
- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 23.

#### **1.1. Measurement convention**

The financial statements are prepared on the historical cost basis.

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### **1.2. Going concern**

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons. The directors have prepared cash flow forecasts for a 12 month period from the date of approval of these financial statements and such forecasts have indicated that sufficient funds should be available to enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As a result, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

#### **1.3. Foreign currency**

Transactions in foreign currencies are translated to the Company's functional currency 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. Foreign exchange differences arising on translation are recognised in the profit and loss account.

#### **1.4. Classification of financial instruments issued by the Company**

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity 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's 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.

#### **1.5. Basic financial instruments**

##### ***Trade and other debtors / creditors***

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

##### ***Interest-bearing borrowings classified as basic financial instruments***

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### **1.6. Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.13 below.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives are as follows:

Office furniture, medical and other equipment                      - 3 to 7 years

Leasehold improvements to non-clinical properties are depreciated over the remaining term of the lease on the property to which they relate. Leasehold improvements on clinical properties are depreciated over 20 years.

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

#### **1.7. Intangible assets**

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Software costs    5 years

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that they may be impaired.

#### **1.8. Stocks**

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### **1.9. Impairment excluding stocks**

##### *Financial assets (including trade and other debtors)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

##### *Non-financial assets*

The carrying amounts of the entity's non-financial assets, other than stocks, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

#### **1.10. 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.

##### *Group Plans*

The Company's employees are members of a group wide defined benefit pension plan, the Fresenius Medical Care Pension Plan ('the Plan').

As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan and the net defined benefit liability are recognised fully by the Company which is legally responsible for the plan, which is Fresenius Medical Care (UK) Limited, another member of the group. The Company then recognises a cost equal to its contribution payable for the period.



## **Notes (continued)**

### **1 Accounting policies (continued)**

#### **1.10. Employee benefits (continued)**

##### *Share-based payment transactions*

Share-based payment arrangements in which the entity receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the entity.

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured based using an option valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

#### **1.11. Provisions**

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

#### **1.12. Turnover**

Turnover represents the invoiced amount for 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.

#### **1.13. Expenses**

##### *Operating lease*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

##### *Finance lease*

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

##### *Interest receivable and Interest payable*

Interest payable and similar charges include interest payable and finance charges on finance leases recognised in profit or loss using the effective interest method.

Other interest receivable and similar income include interest receivable on funds invested.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.14. 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.

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 timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

### 2 Turnover

Turnover represents the invoiced amount for services provided to customers and is derived from the principal activity of the Company in the United Kingdom.

### 3 Directors' remuneration

	2017 £000	2016 £000
Directors' emoluments	304	263
Company contributions to defined contribution pension schemes	13	8

The aggregate emoluments of the highest paid director were £222,000 (2016: £263,000). Retirement benefits are accruing under a defined benefit scheme to one director (2016: one).

Certain 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. Those directors' services to the Company do not occupy a significant amount of their time. As such those directors do not consider that they have received any remuneration for their incidental services to the company for the years ended 31 December 2017 or 31 December 2016.

### 4 Staff numbers and costs

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

	2017 Number	2016 Number
Administration	66	64
Nursing services	14	52
	<u>80</u>	<u>116</u>

## Notes (continued)

### 4 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2017 £000	2016 £000
Wages and salaries	5,422	7,185
Social security costs	508	557
Other pension costs (note 18)	175	203
Share based payment (note 19)	21	35
	<u>6,126</u>	<u>7,980</u>

### 5 Auditor's remuneration

Included in profit are the following:

	2017 £000	2016 £000
Audit of these financial statements	28	28

Amounts receivable by the Company's auditor and its associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, Fresenius Medical Care (Holdings) Limited.

### 6 Other interest receivable and similar income

	2017 £000	2016 £000
Intra-group interest receivable	3	7
Net foreign exchange gain	2	-
Other interest receivable	2	2
	<u>7</u>	<u>9</u>

### 7 Interest payable and similar charges

	2017 £000	2016 £000
Intra-group interest payable	512	599
Finance lease interest payable	-	3
Net foreign exchange loss	20	5
	<u>532</u>	<u>607</u>

## Notes (continued)

### 8 Taxation

#### *Total tax expense recognised in the profit and loss account*

	2017 £000	2016 £000
<i>Current tax:</i>		
Current tax on income for the period	416	645
Adjustments in respect of prior periods	(52)	246
	<hr/>	<hr/>
Total current tax	364	891
<i>Deferred tax (see note 17):</i>		
Origination and reversal of timing differences	283	163
Adjustment in respect of prior periods	(10)	(1)
Change in tax rate	(33)	(91)
	<hr/>	<hr/>
Total deferred tax	240	71
	<hr/>	<hr/>
Total tax charge	604	962
	<hr/>	<hr/>

#### *Factors affecting the tax charge for the current year*

The tax charge for the year is higher (2016: higher) than the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are explained below:

	2017 £000	2016 £000
Profit/(Loss) for the year	545	(74)
Total tax expense	604	962
	<hr/>	<hr/>
Profit before tax	1,149	888
	<hr/>	<hr/>
Current tax at 19.25% (2016: 20%)	221	178
<i>Effects of:</i>		
Reduction in tax rate on deferred tax balances	(33)	(91)
Non-deductible expenses	478	630
Under provided in prior years	(62)	245
	<hr/>	<hr/>
Total tax included in profit and loss	604	962
	<hr/>	<hr/>

#### *Factors that may affect future current and total tax charges*

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2016 and a further reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2017. The deferred tax asset at 31 December 2017 has been calculated based on the rate of 17% substantively enacted at the balance sheet date.

## Notes (continued)

### 9 Intangible fixed assets

	Software £000
<i>Cost:</i>	
At 1 January 2017	1,299
Acquisitions	2
Disposals	(236)
At 31 December 2017	1,065
<i>Accumulated amortisation:</i>	
At 1 January 2017	1,236
Amortisation	37
Elimination on disposals	(234)
At 31 December 2017	1,039
<i>Net book value:</i>	
At 31 December 2017	26
At 31 December 2016	63

### 10 Tangible fixed assets

	Leasehold improvements £000	Office, furniture, medical and other equipment £000	Total £000
<i>Cost:</i>			
At 1 January 2017	44,312	27,928	72,240
Additions	747	2,632	3,379
Disposals	(14,289)	(4,341)	(18,630)
At 31 December 2017	30,770	26,219	56,989
<i>Accumulated depreciation:</i>			
At 1 January 2017	15,081	18,582	33,663
Depreciation charge for the year	1,499	2,497	3,996
Disposals	(5,460)	(3,938)	(9,398)
At 31 December 2017	11,120	17,141	28,261
<i>Net book value:</i>			
At 31 December 2017	19,650	9,078	28,728
At 31 December 2016	29,231	9,346	38,577

A loss on disposal of fixed assets of £321,000 (2016: £550,000) was recognised in the year.

## Notes (continued)

### 11 Stocks

	2017 £000	2016 £000
Raw materials and consumables	593	613

Raw materials and consumables recognised as cost of sales in the year amounted to £9,670,000 (2016: £10,032,000).

### 12 Debtors

	2017 £000	2016 £000
Trade debtors	11,037	12,071
Amounts owed by group undertakings	22,406	11,614
Other debtors	40	46
Corporation tax	268	426
Prepayments and accrued income	3,254	2,515
	<u>37,005</u>	<u>26,672</u>

Included within prepayments is £175,000 (2016: £175,000) due after more than one year which relate to stamp duty prepaid and realised over the life of the lease.

### 13 Creditors: amounts falling due within one year

	2017 £000	2016 £000
Trade creditors	649	1,051
Amounts owed to group undertakings (note 15)	27,454	29,357
Other creditors including taxation and social security	970	843
Accruals and deferred income	8,301	8,247
	<u>37,374</u>	<u>39,498</u>

### 14 Creditors: amounts falling due after more than one year

	2017 £000	2016 £000
Accruals and deferred income	5,145	3,184

## Notes (continued)

### 15 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	2017 £000	2016 £000
<b>Creditors falling due within one year</b>		
Amounts owed to group undertakings	18,936	25,675
	<u>18,936</u>	<u>25,675</u>

Amounts owed to group undertakings of £17,987,000 (2016: £17,986,000) are unsecured, interest bearing at a rate of 1.25% above LIBOR and due for repayment on 5 June 2018. Subsequent to the year end, the term of the intercompany loan has been extended and is now due for repayment on 5 June 2019.

Amounts owed to group undertakings of £949,000 (2016: £7,689,000) are unsecured, interest bearing and repayable on demand.

A further amount of £8,518,000 (2016: £3,682,000) owed to group undertakings is unsecured, repayable on demand and does not bear interest.

### 16 Provisions for liabilities and charges

	Onerous lease £000
Opening liability at 1 January 2017	1,880
Provisions used during the year	(212)
	<u>1,668</u>
<b>Closing liability at 31 December 2017</b>	<u>1,668</u>

The onerous lease provision relates to two property leases where the clinic contract has not been renewed. The first lease expired in November 2017 and the provision has been utilised in full. The second lease is due to expire in March 2030 and provision has been made after an allowance for anticipated sublet rental income, which is based on previous sublet history and a two year marketing period.

## Notes (continued)

### 17 Deferred tax asset and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2017	2016	2017	2016	2017	2016
	£000	£000	£000	£000	£000	£000
Accelerated capital allowances	-	-	(1,812)	(1,667)	(1,812)	(1,667)
Employee benefits	11	9	-	-	11	9
Other	-	-	(155)	(58)	(155)	(58)
	<u>11</u>	<u>9</u>	<u>(1,967)</u>	<u>(1,725)</u>	<u>(1,956)</u>	<u>(1,716)</u>
Tax assets / (liabilities)	11	9	(1,967)	(1,725)	(1,956)	(1,716)
Net of tax (liabilities)/assets	(11)	(9)	11	9	-	-
	<u>-</u>	<u>-</u>	<u>(1,956)</u>	<u>(1,716)</u>	<u>(1,956)</u>	<u>(1,716)</u>
Net tax assets / (liabilities)	-	-	(1,956)	(1,716)	(1,956)	(1,716)

The amount of deferred tax expected to unwind in the next reporting period is £500,000 (2016: £500,000).

### 18 Pension contributions

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 £64,000 (2016: £81,000).

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 2017 by £3,721,000 (2016: £5,156,000).

The company also operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £111,000 (2016: £122,000).

### 19 Share based payments

Fresenius Medical Care AG & Co. KGaA has stock option plans available to certain employees of Fresenius Medical Care Renal Services Limited as follows,

- Fresenius Medical Care AG & Co. KGaA Long Term Incentive Program 2011
- Fresenius Medical Care AG & Co. KGaA Stock Option Plan 2006

No further grants will be issued under the 2006 Plan.

Stock options granted under the 2011 Incentive Program have an eight-year term and can be exercised only after a four-year vesting period. The vesting of the awards granted is subject to achievement of performance targets. The exercise price of stock options granted under the 2011 Incentive Program shall be the average stock exchange price on the Frankfurt Stock Exchange of the Company's ordinary shares during the 30 calendar days immediately prior to each grant date.

Further details of the stock option plans can be obtained from the consolidated financial statements of Fresenius Medical Care AG & Co. KGaA which may be obtained from Fresenius Medical Care AG & Co. KGaA, 61346 Bad Homburg v. d. H., Germany.



## Notes (continued)

### 19 Share based payments (continued)

The total expense recognised for the year arising from share based payments is as follows:

	2017 £000	2016 £000
Equity settled share based payments	21	35

### 20 Capital and reserves

	2017 £000	2016 £000
<i>Allotted, called up and fully paid:</i>		
10,700,001 Ordinary equity shares of £1 each	10,700	10,700

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

### 21 Commitments

	2017 £000	2016 £000
<b>Capital</b>		
Central Manchester	1,308	-
North Manchester	955	-
Total	2,263	-

Non-cancellable operating lease rentals are payable as follows:

	2017 £000	2016 £000
<b>Buildings</b>		
<i>Operating leases which expire:</i>		
Within one year	5,288	4,780
In two to five years	18,495	15,828
Over five years	21,092	24,692
Total	44,875	45,300

During the year £5,617,000 was recognised as an expense in the profit and loss account in respect of operating leases (2016: £5,389,000).

## **Notes (continued)**

### **22 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 (whose registered address is Nunn Brook Road, Huthwaite, NG17 2HU), 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 in which the results of the Company are consolidated is that headed by Fresenius SE, which is incorporated in Germany as is regarded as the ultimate controlling party. The Fresenius SE group financial statements can be obtained from Fresenius SE, Else-Kröner Strasse 1, D-61352 Bad Homburg, Germany.

### **23 Accounting estimates and judgements**

#### *Key sources of estimation uncertainty*

#### *Fixed asset impairment and onerous lease provisions*

Fixed assets are carried at cost less accumulated depreciation and impairment losses. At each balance sheet date, the Directors assess the carrying amount of fixed assets for impairment. This assessment includes a review of the utilisation of fixed assets at clinics, and a review of the remaining contractual term of clinics operated by the Company. An impairment of £nil (2016: £316,000) has been recognised in the year against the cost of fixed assets.

As part of this assessment, management also consider the remaining term of property leases held for clinics and where there is considered to be a probable outflow of economic benefits a provision is recognised. Management recognise a provision based on their best estimate of the expected costs, net of estimated anticipated sub-lease income. An expense of £nil (2016: £nil) has been recognised in the year for the recognition of onerous lease provisions. Further details are provided in note 16.

#### *Critical accounting judgements in applying the Company's accounting policies*

There are no significant judgements taken by the directors in applying the Company's accounting policies.

### **24 Related Parties**

As the company is a wholly owned subsidiary of Fresenius Medical Care (Holdings) Limited, the company has taken advantage of the exemption contained in FRS102.33. 1A and has therefore not disclosed transactions or balances with wholly owned entities which form part of the Group headed by Fresenius Medical Care (Holdings) Limited.