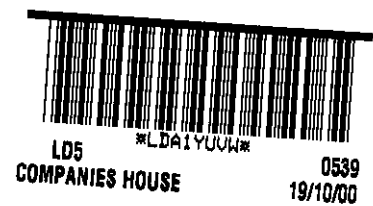


TOTAL RENAL CARE (UK) LIMITED

Report and Financial Statements

Year ended 30 November 1999

Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3TR



REPORT AND FINANCIAL STATEMENTS 1999

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REPORT AND FINANCIAL STATEMENTS 1999

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J R W Ansdell	(resigned 7 April 1999)
V M G Chaltiel	(resigned 30 March 1999)
L Frie	(resigned 30 March 1999)
B C Cosgrove	(appointed 30 March 1999, resigned 4 April 2000)
R Whitney	(appointed 30 March 2000, resigned 19 June 2000)
S J Udicious	(appointed 4 April 2000, resigned 19 June 2000)
P H Easterman	(appointed 1 April 1999, resigned 19 June 2000)
C J Sandham	(resigned 19 June 2000)
P O'Brien	(appointed 19 June 2000)

SECRETARY

P D A Green	(resigned 19 May 2000)
P W Noake	(appointed 19 May 2000, resigned 19 June 2000)
C Miller	(appointed 19 June 2000)

REGISTERED OFFICE

Nunn Brook Road
Huthwaite
Nottinghamshire
NG17 2HU

BANKERS

The Royal Bank of Scotland plc	Hypovereinsbank
London City Office	41 Moorgate
62-63 Threadneedle Street	London
London	EC2R 6PP
EC2R 8LA	

SOLICITORS

Eversheds	Freeth Cartwright
1 Royal Standard Place	Willoughby House
Nottingham	20 Low Pavement
NG1 6FZ	Nottingham
	NG1 7EA

AUDITORS

Deloitte & Touche
Chartered Accountants
Hill House
1 Little New Street
London EC4A 3TR

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 November 1999.

PRINCIPAL ACTIVITY

The principal activity of the company is the provision of dialysis and related services to certain UK Health Authorities and Trusts.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

Both the level of business and the year end financial position were satisfactory. The directors continue to seek new opportunities for expansion and development of the business.

RESULTS AND DIVIDENDS

The loss for the year attributable to shareholders amounts to £46,123 (1998 – loss £19,644). The directors do not recommend the payment of a dividend (1998 - £nil).

DIRECTORS AND THEIR INTERESTS

The directors of the company who served during the year ended 30 November 1999 are those listed on page 1. No director held any interests in the share capital of the company during the year.

The directors' interests in the ultimate parent company are shown in that company's financial statements.

YEAR 2000

Following their initial review, the directors continue to be alert to the potential risks and uncertainties surrounding the Year 2000 issue. As at the date of this report, the directors are not aware of any significant factors which have arisen, or that may arise, which will affect the activities of the business; however, the situation is still being monitored. Any future costs associated with this issue cannot be quantified but are not expected to be significant.

POST BALANCE SHEET EVENT

On 19 June 2000, the whole of the share capital of Total Renal Care (UK) Limited was sold to Fresenius Medical Care AG.

AUDITORS

A resolution to appoint KPMG as auditors to the company will be proposed at the Company's Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



C Miller
Secretary

19th Sept.

2000

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those 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 accounting standards have been followed;
- prepare the financial statements on a 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**AUDITORS' REPORT TO THE MEMBERS OF
TOTAL RENAL CARE (UK) LIMITED**

We have audited the financial statements on pages 5 to 11 which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the 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 of the state of the company's affairs as at 30 November 1999 and of its loss for the year ended 30 November 1999 and have been properly prepared in accordance with the Companies Act 1985.

Deloitte Touche

Chartered Accountants and
Registered Auditors

20 September 2000

PROFIT AND LOSS ACCOUNT
Year ended 30 November 1999

	Note	1999 £	1998 £
TURNOVER	2	2,643,818	1,935,189
Cost of sales		(1,815,019)	(1,269,029)
GROSS PROFIT		828,799	666,160
Administrative expenses		(844,796)	(674,450)
OPERATING LOSS	3	(15,997)	(8,290)
Bank interest receivable		4,209	12,787
7% loan note interest payable	10	(28,147)	(3,894)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(39,935)	603
Tax on profit on ordinary activities	5	(6,188)	(20,247)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(46,123)	(19,644)
LOSS FOR THE YEAR	13	(46,123)	(19,644)

All turnover and operating loss derives from the principal continuing activity of the company.

There were no other recognised gains or losses relating to the current and preceding financial periods and, accordingly, a statement of total recognised gains and losses has not been presented.

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS


	1999 £	1998 £
Shareholders' funds at 1 December	1,843,855	1,863,499
Loss for the year	(46,123)	(19,644)
Shareholders' funds at 30 November	1,797,732	1,843,855

BALANCE SHEET
30 November 1999

	Note	1999 £	1998 £
FIXED ASSETS			
Tangible assets	6	2,554,617	2,054,681
Investment in subsidiary	7	331	-
		<u>2,554,948</u>	<u>2,054,681</u>
CURRENT ASSETS			
Stocks		77,341	47,443
Debtors	8	571,731	298,056
Cash at bank and in hand		143,563	91,814
		<u>792,635</u>	<u>437,313</u>
CREDITORS: amounts falling due within one year	9	<u>(746,525)</u>	<u>(327,070)</u>
NET CURRENT ASSETS		<u>46,110</u>	<u>110,243</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,601,058</u>	<u>2,164,924</u>
CREDITORS: amounts falling due after more than one year	10	<u>(777,854)</u>	<u>(300,000)</u>
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	11	<u>(25,472)</u>	<u>(21,069)</u>
TOTAL ASSETS LESS LIABILITIES		<u>1,797,732</u>	<u>1,843,855</u>
CAPITAL AND RESERVES			
Called up share capital	12	1,857,765	1,857,765
Profit and loss account	13	<u>(60,033)</u>	<u>(13,910)</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS		<u>1,797,732</u>	<u>1,843,855</u>

These financial statements were approved by the Board of Directors on 19th Sept. 2000.

Signed on behalf of the Board of Directors


Peter O'Brien
Director

19/09/00

NOTES TO THE ACCOUNTS
Year ended 30 November 1999**1. ACCOUNTING POLICIES**

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Group accounts

The company is exempt from the obligation to prepare and deliver group accounts by virtue of Section 228 of the Companies Act 1985. The company's financial statements present information about it as an individual undertaking and not as a group.

Depreciation

The cost of fixed assets is written off by equal instalments over their expected useful lives as follows:

Leasehold improvements	7 to 25 years
Fixtures, fittings and equipment	5 to 10 years

Capital work in progress

Capital work in progress comprises expenditure on capital projects in the course of construction. On completion, each project is capitalised and depreciated in accordance with the company's depreciation policies.

Deferred taxation

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

Pensions

The company operates a defined contribution scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Leases

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

Investments

Investments held as fixed assets are stated as cost less provision for impairment.

2. TURNOVER

Turnover comprises the invoice value of services supplied by the company excluding VAT. All services have been carried out in the United Kingdom and relate to the principal activities of the company.

3. OPERATING LOSS

This is stated after charging:

	1999 £	1998 £
Depreciation	242,909	178,888
Auditors' remuneration		
- audit services	5,429	3,479
Operating lease charges		
- hire of plant and machinery	8,995	3,507
	<u>257,333</u>	<u>185,874</u>

NOTES TO THE ACCOUNTS
Year ended 30 November 1999

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The directors received no remuneration for their services as directors of the company (1998: £nil).

	1999 No.	1998 No.
Average number of persons employed:		
Medical and nursing	70	48
	<u>£</u>	<u>£</u>
Staff costs during the year:		
Wages and salaries	998,093	667,610
Social security costs	82,309	59,748
Pension costs	18,807	13,234
	<u>1,099,209</u>	<u>740,592</u>

5. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	1999 £	1998 £
United Kingdom corporation tax provided at 30.33% (1998: 31%)	1,785	-
Adjustments in respect of prior years	-	1,103
Deferred taxation	4,403	19,144
	<u>6,188</u>	<u>20,247</u>

Capital allowances in excess of depreciation give rise to a deferred tax charge. Expenditure disallowable for tax purposes has caused a current year taxable profit to arise.

6. TANGIBLE FIXED ASSETS

	Leasehold improve- ments £	Fixtures and fittings £	Capital work in progress £	Total £
Cost				
At 1 December 1998	1,422,643	1,404,948	6,521	2,834,112
Additions	24,616	200,474	548,310	773,400
Disposals	-	(105,910)	(30,376)	(136,286)
At 30 November 1999	<u>1,447,259</u>	<u>1,499,512</u>	<u>524,455</u>	<u>3,471,226</u>
Depreciation				
At 1 December 1998	171,362	608,069	-	779,431
Charge for the year	57,777	185,132	-	242,909
Disposals	-	(105,731)	-	(105,731)
At 30 November 1999	<u>229,139</u>	<u>687,470</u>	<u>-</u>	<u>916,609</u>
Net book value				
At 30 November 1999	<u>1,218,120</u>	<u>812,042</u>	<u>524,455</u>	<u>2,554,617</u>
At 30 November 1998	<u>1,251,281</u>	<u>796,879</u>	<u>6,521</u>	<u>2,054,681</u>

NOTES TO THE ACCOUNTS
Year ended 30 November 1999

7. INVESTMENT IN SUBSIDIARY

	1999 £	1998 £
At 30 November 1999	<u>331</u>	<u>-</u>

The company's subsidiary, Total Renal Care (Denham) Limited, was incorporated on 29 May 1999. It is 100% owned by the company and is registered in England and Wales. Its principal activities are the leasing of capital equipment and property related transactions.

8. DEBTORS

	1999 £	1998 £
Trade debtors	532,925	273,470
Amount owed by subsidiary undertaking	2,214	-
Prepayments and accrued income	36,592	24,586
	<u>571,731</u>	<u>298,056</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 £	1998 £
Trade creditors	664,200	300,844
Amounts due to fellow subsidiaries	54,184	3,894
Corporation tax	1,785	-
Other taxes and social security	26,356	22,332
	<u>746,525</u>	<u>327,070</u>

10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	£
At 1 December 1998	300,000
Loan notes issued during the year	<u>477,854</u>
At 30 November 1999	<u>777,854</u>

Loan notes represent 7% Loan Notes 2012 issued from Total Renal Care International Limited, a fellow subsidiary, as the company's expansion requires. On 25 January 2000, the maximum amount on which the company can draw was increased from £1,600,000 to £2,000,000, reflecting the company's continued expansion. All amounts over £1,600,000 will bear interest at 19%. These loan notes were repaid on 19 June 2000, as part of the terms of sale agreement with Fresenius Medical Care AG, and were replaced with new inter-company debt.

NOTES TO THE ACCOUNTS
Year ended 30 November 1999

11. DEFERRED TAXATION

Deferred taxation is in respect of timing differences resulting from accelerated capital allowances less unrelieved tax losses as follows:

	1999 £	1998 £
At 1 December	21,069	1,925
Current year charge	4,403	19,144
At 30 November	<u>25,472</u>	<u>21,069</u>
	£	£
Accelerated capital allowances	25,472	25,834
Unrelieved tax losses	-	(4,765)
	<u>25,472</u>	<u>21,069</u>

12. CALLED UP SHARE CAPITAL

	1999 £	1998 £
Authorised share capital:		
910,305 "A" ordinary shares of £1 each	910,305	910,305
947,460 "B" ordinary shares of £1 each	947,460	947,460
	<u>1,857,765</u>	<u>1,857,765</u>
	£	£
Issued share capital:		
Called up, allotted and fully paid		
910,305 "A" ordinary shares of £1 each	910,305	910,305
Called up, allotted and fully paid		
947,460 "B" ordinary shares of £1 each	947,460	947,460
	<u>1,857,765</u>	<u>1,857,765</u>

A and B shares rank pari passu in all respects.

13. RESERVES

	Profit and loss account	
	1999 £	1998 £
At 1 December	(13,910)	5,734
Loss for the period	(46,123)	(19,644)
At 30 November	<u>(60,033)</u>	<u>(13,910)</u>

NOTES TO THE ACCOUNTS

Year ended 30 November 1999

14. FINANCIAL COMMITMENTS

At 30 November the following capital expenditure has been authorised:

	1999	1998
	£	£
Contracted	1,461,000	-

15. PENSION COMMITMENTS

The company operates a defined contribution pension scheme for its employees. The assets of this scheme are held separately from those of the company in an independently administered fund. The company's contribution for 1999 was £18,807 (1998: £13,234).

16. CASH FLOW

The company has taken advantage of the exemption from the preparation of a cash flow statement granted by FRS1 (revised) as a wholly owned subsidiary undertaking of Fresenius Medical Care AG, a company incorporated in Germany, whose consolidated financial statements are publicly available.

17. RELATED PARTY TRANSACTIONS

Transactions with shareholders

On 19 September 1997 the company entered into an agreement with Total Renal Care, Inc., an American Corporation registered in California, whereby Total Renal Care, Inc. was to subscribe for 947,460 "B" ordinary shares of £1 each and provide, through an intermediate holding company, Total Renal Care International, Limited, up to an additional £1,600,000 by way of 7% Loan Notes 2012 to fund the company as its expansion requires.

On 25 January 2000, the minimum amount on which the company can draw was increased from £1,600,000 to £2,000,000, reflecting the company's continued expansion. All amounts over £1,600,000 will bear interest at 19%.

These loan notes were repaid on 19 June 2000, as part of the terms of the sale agreement with Fresenius Medical Care AG, and were replaced with new inter-company debt.

18. ULTIMATE PARENT COMPANY

The ultimate parent company and controlling entity is Fresenius Medical Care AG, a company incorporated in Germany. Copies of the group accounts can be obtained from its registered office at:

D-61346 Bad Homburg
Germany

19. POST BALANCE SHEET EVENT

On 19 June 2000, the whole of the share capital of Total Renal Care (UK) Limited was sold to Fresenius Medical Care AG.