

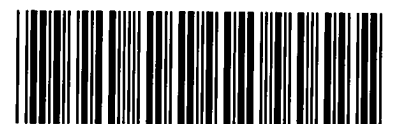
Registered no. 4381725

## **BSN medical Distribution Limited**

**Strategic report, Directors' report and Financial Statements**

31 December 2016

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COMPANIES HOUSE

**Directors**

A Jordan  
D Hall  
C Guglielmi

**Secretary**

D Hall

**Registered office**

Willerby Hill Business Park  
Willerby  
Hull  
HU10 6FE

**Auditors**

Ernst & Young LLP  
24 Marina Court  
Castle Street  
Hull  
HU1 1TJ

**Bankers**

Commerzbank AG London  
30 Gresham Street  
London  
EC2V 7PG

## Strategic report

The directors present their strategic report for the year ended 31 December 2016.

### Review of the business

BSN medical Distribution Limited (“the company”) distributes a significant proportion of the BSN group’s products into Europe via a ‘pick and pack’ operation and provides back office finance and administration services to affiliate companies.

The company operated out of five warehouse facilities throughout the year in Germany, the UK, France Italy and Spain. Finance back office and administration services were operated for the UK, Germany, Netherlands, Italy, France, Norway, Sweden, Denmark, Finland, Belgium, Spain, Portugal, Austria and Switzerland from the shared service centre in Willerby.

The key company’s key performance indicators during the year were as follows:

	2016 €000	2015 €000	Change %
Turnover	182,702	176,155	4%
Gross profit	3,799	5,167	(26%)
Operating profit	1,911	2,633	(27%)
Operating profit to turnover	1.0%	1.5%	(1%)
(Loss) before taxation	(1,500)	(148)	(914%)
(Loss) before taxation to turnover	(0.8%)	(0.1%)	(1%)

The company’s sales performance during the year was 4% higher than the previous year at €182,702,000 (2015 - €176,155,000). This growth resulted largely from a full year of sales of Sorbion Products (acquired by the BSN Group in 2015) and increased volumes to Italy.

Despite an increase in sales, gross profit has reduced 26% year on year to €3,799,000 (2015 - €5,167,000). Gross profit was impacted by a reduction in high margin sales to Venezuela, following a decision to limit sales to the country due to the ongoing political and economic crisis. Also impacting was a significant increase in stock write-offs following a warehouse move and due to excess Sorbion products.

Operating profit of €1,911,000 (2015 – €2,633,000) represents a 27% reduction against the 2015 result due largely to the reduction at gross profit level, combined with an increase in freight and warehousing costs with a third party provider. Also impacting was the decision to write off Venezuelan receivables of €714,000 as a result of the ongoing political and economic crisis in the country.

The Company incurred a loss before tax of €1,500,000 (2015 - €148,000) due to higher interest charges €3,411,000 (2015: €2,781,000) as a result of higher borrowings from the Company’s parent, BSN medical UK Holding Ltd.

### Principal risks and uncertainties

#### Operational Risk

The company’s operational risks include health and safety and IT/power failures. The management of health and safety risks includes a Health and Safety Manual, annual Risk Assessments and internal audits. Disaster recovery procedures exist in the event of power and IT outages and are implemented when required.

## Strategic report (continued)

### Commercial Risk

The company's commercial risk is the management of commercial contract obligations on behalf of other BSN group companies. The management of this risk includes KPIs of delivery date compliance, supply chain controls of product sales forecasting and 'back order' reviews.

### Use of derivatives

The group uses forward foreign currency contracts to reduce exposure to the variability of foreign exchange rates by fixing the rate of any material payments in a foreign currency.

### Cash flow risk

There is a cash flow risk as sales are to related parties who pay to standard terms (20<sup>th</sup> of the month following supply of product).

### Brexit

Following the outcome of the referendum on the UK's membership of the European Union, held on 23 June 2016, the Company recognises that the increased economic and operational uncertainty of leaving the EU (Brexit) could have an impact on its business.

As a result of increased political and economic uncertainty following 'Brexit', the risk of a reduction in UK economic growth could impact the performance of the Company, although the exact impact remains unclear.

By order of the Board



D Hall  
Secretary

26<sup>th</sup> September 2017

## **Directors' report**

The directors present their report for the year ended 31 December 2016.

### **Directors of the company**

The directors who served the company during the year were as follows:

A Jordan

D Hall

S C Brown (resigned 13 June 2016)

C Guglielmi

No director had any beneficial interest in the share capital of the company.

### **Dividends**

The directors do not recommend a final dividend (2015 – €nil).

### **Future developments**

On 3<sup>rd</sup> April, 2017, BSN medical was acquired by SCA (Svenska Cellulosa Aktiebolaget), a leading global hygiene and forest products company listed on the Stockholm Stock Exchange. Following the acquisition, SCA took the decision to split the group into two independent listed companies – the forest products company 'SCA', and the global health and hygiene company 'Essity'.

Essity was listed on the Nasdaq Stockholm Stock Exchange on June 15<sup>th</sup>, 2017.

The business is expected to continue to provide the warehousing and distribution services, and the finance back office and administration services to group companies for the foreseeable future.

### **Foreign exchange risk**

The company is exposed to foreign exchange movements which can impact the cost of goods sourced from overseas. The company has policies which require currency hedging to be undertaken, and is designed, where practicable, to fix the price of non-Euro denominated costs. At 31 December 2016 the company held forward foreign currency contracts, the fair value of which was an asset of €1,018,846.

### **Employees**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

The company places considerable value on the involvement of its employees and undertakes its practice of keeping them informed of matters affecting them as employees. This is achieved through formal and informal meetings. The company endeavours to keep staff abreast of the financial and economic factors affecting the business.

### **Disclosure of information to the auditors**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each

## Directors' report (continued)

director has taken all the steps that they are obliged to take as a directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

### Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board



D Hall  
Secretary

26<sup>th</sup> September 2017

## Statement of directors' responsibilities

The directors are responsible for preparing the annual reports 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 101 Reduced Disclosure Framework 101 (FRS 101).

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS BSN MEDICAL DISTRIBUTION LIMITED**

We have audited the financial statements of BSN medical Distribution Limited for the year ended 31 December 2016 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Financial Position and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework

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

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Reports and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- ▶ the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- ▶ the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.



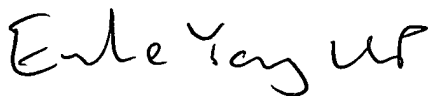
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS BSN MEDICAL  
DISTRIBUTION LIMITED (CONTINUED)**

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

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Richard Frostick (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Hull

28 September 2017

## Profit and loss account

for the year ended 31 December 2016

	Notes	2016 €000	2015 €000
<b>Turnover</b>	3	182,702	176,155
Cost of sales		(178,903)	(170,988)
<b>Gross profit</b>		3,799	5,167
Distribution costs		(14,875)	(18,667)
Administrative expenses		(12,111)	(8,479)
Other operating expenses		(714)	-
Other operating income	4	25,812	24,612
<b>Operating profit</b>		1,911	2,633
Other finance costs	6	(3,411)	(2,781)
<b>(Loss) on ordinary activities before taxation</b>		(1,500)	(148)
Tax	9	17	(57)
<b>(Loss) for the financial year</b>		(1,483)	(205)

All amounts relate to continuing activities.

## Statement of comprehensive income

for the year ended 31 December 2016

	Notes	2016 €000	2015 €000
<b>(Loss) for the year</b>		(1,483)	(205)
Movement in hedge reserve		768	(1,393)
Deferred tax on hedge reserve		(135)	283
<b>Total comprehensive (loss) for the year</b>		(850)	(1,315)

**Balance sheet**

at 31 December 2016

	Notes	2016 €000	2015 €000
<b>Fixed assets</b>			
Tangible assets		78	-
		<u>78</u>	<u>-</u>
<b>Current assets</b>			
Inventory	10	40,310	34,330
Debtors: amounts falling within one year	11	34,440	33,846
Cash at bank and in hand		2,677	2,628
		<u>77,427</u>	<u>70,804</u>
Creditors: amounts falling due within one year	12	(63,812)	(56,261)
<b>Net current assets</b>		<u>13,615</u>	<u>14,543</u>
<b>Net assets</b>		<u>13,693</u>	<u>14,543</u>
<b>Capital and reserves</b>			
Share capital	13	8,001	8,001
Retained earnings		4,753	6,371
Cash flow hedge reserve		939	171
<b>Shareholder's funds</b>		<u>13,693</u>	<u>14,543</u>

These financial statements were approved by the board of directors on 26<sup>th</sup> September 2017 and were signed on its behalf by:



D Hall  
Director

Registered no. 4381725

## Statement of changes in Equity

at 31 December 2016

	<i>Called up share capital</i>	<i>Retained Earnings</i>	<i>Cash flow hedge reserve</i>	<i>Total equity</i>
	<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>
<b>At 1 January 2015</b>	8,001	6,293	1,564	15,858
(Loss) for the year	-	(205)	-	(205)
Other comprehensive income/(loss)	-	283	(1,393)	(1,110)
Total comprehensive income/(loss)	-	78	(1,393)	(1,315)
<b>At 31 December 2015</b>	8,001	6,371	171	14,543
(Loss) for the year	-	(1,483)	-	(1,483)
Other comprehensive income/(loss)	-	(135)	768	633
Total comprehensive income/(loss)	-	(1,618)	768	(850)
<b>At 31 December 2016</b>	<b>8,001</b>	<b>4,753</b>	<b>939</b>	<b>13,693</b>

## Notes to the financial statements

at 31 December 2016

### 1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of BSN Medical Distribution Limited (the “Company”) for the year ended 31 December 2016 were authorised for issue by the board of directors on 26<sup>th</sup> September 2017 and the balance sheet was signed on the board’s behalf by David Hall. BSN Medical Distribution Limited is incorporated and domiciled in England and Wales.

The financial statements have been prepared in accordance with Financial Reporting Standard 101, ‘Reduced Disclosure Framework’ (FRS 101) and the Companies Act 2006 (the Act). FRS 101 sets out a reduced disclosure framework for a ‘qualifying entity’ as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

The Company’s financial statements are presented in Euros and all values are rounded to the nearest thousand euros (€000) except when otherwise indicated.

The Company is a wholly owned subsidiary of BSN Medical UK Holding Limited.

The results of BSN Medical UK Holding Limited are included in the consolidated financial statements of BSN Medical Luxembourg Group Holding S.a.r.l. which are publicly available and can be obtained from BSN medical, Willerby Hill Business Park, Willerby, Hull, HU10 6FE.

The principal accounting policies adopted by the Company are set out in note 2.

### 2. Accounting policies

#### *2.1 Basis of preparation*

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2016.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) the requirements of IFRS 7 Financial Instruments: Disclosures;
- (b) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- (c) the requirement in paragraph 38 of IAS 1 ‘Presentation of Financial Statements’ to present comparative information in respect of:
  - (i) paragraph 79(a)(iv) of IAS 1;

## Notes to the financial statements (continued)

at 31 December 2016

### 2.1 Basis of preparation (continued)

(d) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;

(e) the requirements of IAS 7 Statement of Cash Flows;

(f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;

(g) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;

(h) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

### 2.2 Significant accounting policies

#### (a) Going concern

The company currently meets its day to day working capital requirements from its cash reserves.

The directors have reviewed the forecast of cash flows for the current year and the following year. Following this review the directors have formed the judgment that at the time of approval of these financial statements, the company has sufficient resources to continue operating for the foreseeable future.

For the reasons noted above the directors continue to prepare the financial statements on a going concern basis.

#### (b) Foreign currency translation

The company's financial statements are presented in Euros, which is also the company's functional currency.

Transactions in foreign currencies are initially recorded in the Company's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

#### (c) Inventory

Stocks are stated at the lower of cost and net realisable value. In determining the cost of goods purchased for resale, the first in, first out method of valuation is used. Stock in transit to the company is included within the year end stock holding

## Notes to the financial statements (continued)

at 31 December 2016

### *Significant accounting policies (continued)*

(d) Leases

Operating lease rentals are charged to the profit and loss account on the straight-line basis over the period of the lease.

(e) Derivative financial instruments

The Company uses derivative financial instruments in the form of forward currency contracts to hedge its risks associated with foreign currency. These are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is formally designated and documented at its inception. This documentation identifies the risk management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective in offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the reporting period for which they were designated.

For the purposes of hedge accounting, the Company classifies its hedges as cash flow hedges. Hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income, while the ineffective portion is recognised in profit or loss. Amounts taken to other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when a forecast sale or purchase occurs.

The Company uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments.

(f) Trade and other debtors

Trade debtors, which generally have 30-90 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision for impairment is made through profit or loss when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

(g) Cash at bank and in hand

Cash and short term deposits in the balance sheet comprise cash at banks and in hand.

(h) Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

## Notes to the financial statements (continued)

at 31 December 2016

### *Significant accounting policies (continued)*

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

#### (i) Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers, all of the company's turnover being from other group companies. Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, which is usually upon dispatch of goods to the customer.

#### (j) Pensions

The company operates a defined contribution pension scheme named BSN medical stakeholder 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.



## Notes to the financial statements (continued)

at 31 December 2016

### 3. Turnover

By geographical market

	2016 €000	2015 €000
United Kingdom	12,824	11,890
Rest of Europe	134,226	132,464
Rest of the World	35,652	31,801
	<u>182,702</u>	<u>176,155</u>

### 4. Other operating income

	2016 €000	2015 €000
Other operating income	<u>25,812</u>	<u>24,612</u>

Other operating income relates to recharges to other group companies in relation to the warehousing and back office finance services.

### 5. Operating profit

Operating profit is stated after charging:

	2016 €000	2015 €000
Auditors' remuneration:		
- Audit of financial statements	134	121
- Non audit services	-	-
Exchange (gain)/loss	(135)	3,041
Hire of other assets – rentals payable under operating leases	<u>45</u>	<u>36</u>

### 6. Other finance costs

	2016 €000	2015 €000
Interest on loans from group undertakings	<u>3,411</u>	<u>2,781</u>

## Notes to the financial statements (continued)

at 31 December 2016

### 7. Directors' remuneration

	2016	2015
	€000	€000
Directors' remuneration	201	193
Company contributions to money purchase pension schemes	28	26

Only one director is directly paid by the company. The Company incurs a management charge from BSN affiliates which incorporates charges for other BSN medical directors.

During the current and previous financial periods, only one (2015 – one) of the Directors was remunerated by the company. A Jordan's and S C Brown's remuneration during the period is both paid for and disclosed in the financial statements of BSN Medical GmbH. C. Guglielmi's remuneration is paid by BSN medical S.A.S. For the directors not remunerated directly by the company, an allocation of their remuneration has been recognised above, of €1k per director in relation to their qualifying services provided to the company.

### 8. Staff costs

The aggregate payroll costs for these persons were as follows:

	2016	2015
	€000	€000
Wages and salaries	2,127	1,486
Social security costs	200	199
Other pension costs (see note 16)	378	283
Other employee benefits	191	216
	<u>2,896</u>	<u>2,184</u>

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	2016	2015
	No.	No.
Distribution	1	1
Administration	40	39
	<u>41</u>	<u>40</u>

### 9. Tax

(a) Tax on profit on ordinary activities

The tax (credit)/charge is made up as follows:

	2016	2015
	€000	€000
UK corporation tax		
Current tax on income for the year	–	–
Total current tax	–	–
Withholding tax incurred	–	–
Origination/reversal of timing difference	(17)	57
Total deferred tax	(17)	57

## Notes to the financial statements (continued)

at 31 December 2016

### 9. Tax (continued)

(a) Factors affecting (credit)/ charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 20% (2015: 20.25%). The differences are explained below:

The differences are explained below:

	2016 €000	2015 €000
Profit on ordinary activities before taxation	(1,500)	(148)
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 – 20.25%)	(300)	(30)

*Effects of:*

Group relief not paid for	140	87
Non-deductible items (group debt write off)	143	-
Total tax expense / (credit) in the profit and loss account (Note 9(a))	<u>(17)</u>	<u>57</u>

(b) Deferred tax

The elements of deferred taxation in the balance sheet is as follows:

	2016 €000	2015 €000
Short term timing difference (fx hedge)	(169)	(52)
Accelerated capital allowances	-	-
	<u>(169)</u>	<u>(52)</u>

(c) Factors that may affect future tax charges

The company forms part of a tax group under UK tax rules. Included in this group are BSN medical Limited and BSN medical UK Holding Limited.

The Finance (No. 2) Act 2015 obtained Royal Assent on 18 November 2015 and enacted a reduction in the UK corporation tax rate from 20% to 19% effective from 1 April 2017 and a further reduction to 18% effective from 1 April 2020.

Furthermore the Finance Act 2016 obtained Royal Assent on 15<sup>TH</sup> September 2016 and announced the 18% rate given above will, in fact, be reduced to 17%. This is not enacted at the balance sheet date and so not reflected in the deferred tax calculations.

Any deferred tax expected to reverse in the year to 31 December 2016 has been remeasured using the rates substantively enacted at 31 December 2015.

## Notes to the financial statements (continued)

at 31 December 2016

### 10. Inventory

	2016 €000	2015 €000
Finished goods and goods for resale	40,310	34,330

The difference between the purchase price of stocks and the replacement cost is not considered to be material.

### 11. Debtors

	2016 €000	2015 €000
<i>Amounts falling within one year</i>		
Amounts owed by group undertakings	31,666	29,145
Other debtors	2,774	4,701
	<u>34,440</u>	<u>33,846</u>

Included within 'Amounts owed by group undertakings' is a cash pool receivable of €1,837,934 due from the cash pool leader, BSN Medical UK Holding Limited. This represents the net cash swept into the cash pool account by the Company since the balances were last settled.

On 31<sup>st</sup> March 2017, the decision was taken to write off trade receivables due from Venezuela as the likelihood of recovering these amounts was deemed to be remote due to the ongoing political and economic conditions in that region.

This has been adjusted in the financial statements for the year ended 31<sup>st</sup> December 2016. The total impact on the income statement was a charge of €714,000, which represented trade receivables of €1,014,000, less a guarantee of €300,000 which was previously provided by the customer.

### 12. Creditors: amounts falling due within one year

	2016 €000	2015 €000
Trade creditors	5,221	5,096
Amounts owed to group undertakings	15,884	10,912
Amounts owed to parent undertaking	36,146	30,693
Amounts owed to cash pool leader	-	890
Other creditors	5,888	8,555
Deferred tax liability	169	52
Accruals and deferred income	504	63
	<u>63,812</u>	<u>56,261</u>

Included within 'Amounts owed to parent undertaking' is a loan of €35,269,414 (2015: €29,977,000) with BSN medical UK Holding Limited. Interest is charged on the loan at a rate of 9.34% and is repayable on demand.

## Notes to the financial statements (continued)

at 31 December 2016

### 13. Issued share capital

<i>Allotted, called up and fully paid</i>	<i>No.</i>	<i>2016</i>	<i>No.</i>	<i>2015</i>
		<i>€000</i>		<i>€000</i>
Equity: Ordinary A shares of €1 each	1,000	1	1,000	1
Ordinary A1 shares of €1 each	8,000,000	8,000	8,000,000	8,000
		<u>8,001</u>		<u>8,001</u>

### 14. Other financial commitments

Commitments under non-cancellable operating leases are as follows:

	<i>2016</i>	<i>2015</i>
	<i>€000</i>	<i>€000</i>
Operating leases which expire:		
Within one year	34	28
In two to five years	78	80
	<u>112</u>	<u>108</u>

In addition to the above the company has provided a guarantee to the German tax authority of €150,000.

### 15. Pensions

The Company 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 €378,000 (2015 – €283,000). Contributions amounting to €93,000 (2015 – €73,511) were payable to the scheme and are included in creditors at the year end.

### 16. Related party transactions

During the year the Company entered into transactions with other related parties. The Company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries.

### 17. Ultimate parent undertaking and controlling party

The immediate parent undertaking is BSN medical UK Holding Limited, a company incorporated in the United Kingdom.

At the balance sheet date, the ultimate parent undertaking and controlling party was BSN medical Luxembourg Group Holding S.a.r.l. a company incorporated in Luxembourg.

## **Notes to the financial statements (continued)**

at 31 December 2016

### **17. Ultimate parent undertaking and controlling party (continued)**

Following the acquisition of BSN medical by SCA, and the subsequent split of the SCA group, the ultimate parent undertaking and controlling party is Essity Aktiebolag, a company incorporated in Sweden.

For the year ended 31<sup>st</sup> December 2016, the largest and smallest group in which the results of the company are consolidated is that headed by BSN medical Luxembourg Group Holding S.a.r.l. Copies of these group financial statements, which are publicly available, can be obtained from BSN medical, Willerby Hill Business Park, Willerby, Hull, HU10 6FE.