Becton Dickinson Infusion Therapy UK

Report and Financial Statements

Year Ended

30 September 2018

Company Number 00536128

Becton Dickinson Infusion Therapy UK

Company Information

Directors	J Neat M Fairbourn D Hopkin
Registered number	00536128
Registered office	1030 Eskdale Road Winnersh Triangle Wokingham Berkshire RG41 5TS
Independent auditors	Ernst & Young LLP The Paragon Counterslip Bristol BS1 6BX
Bankers	BNP Paribas 10 Harewood Avenue London NW1 6AA
Solicitors	Simmons & Simmons LLP CityPoint One Ropemaker Street London EC2Y 9SS

Becton Dickinson Infusion Therapy UK

Contents

Becton Dickinson Infusion Therapy UK

Strategic Report
For the Year Ended 30 September 2018

The directors present their Strategic Report together with the audited financial statements of Becton Dickinson Infusion Therapy UK ("the company") for the year ended 30 September 2018

Principal activities

The company is a wholly owned subsidiary of the Becton Dickinson ("BD") group. BD is a global medical technology company engaged in the development, manufacture and sale of a broad range of medical supplies, devices, laboratory equipment and diagnostic products used by healthcare institutions, life-science researchers, clinical laboratories, the pharmaceutical industry and the general public. We provide customer solutions that are focused on improving medication management and patient safety; supporting infection prevention practices; equipping surgical and interventional procedures; improving drug delivery; aiding anaesthesiology care; enhancing the diagnosis of infectious diseases and cancers; advancing cellular research and applications; and supporting the management of diabetes.

Business segments

BD's operations consist of three worldwide business segments: BD Medical, BD Life Sciences and BD Interventional.

BD Medical

BD Medical produces a broad array of medical technologies and devices that are used to help improve healthcare delivery in a wide range of settings. The primary customers served by BD Medical are hospitals and clinics; physicians' office practices; consumers and retail pharmacies; governmental and non-profit public health agencies; pharmaceutical companies; and healthcare workers. BD Medical consists of the following business units:

Diabetes Care	Syringes, pen needles and intravenous ("IV") sets for the injection of infusion of insulin and other drugs used in the treatment of diabetes.
Medication and Procedural Solutions	Needles, syringes and IV catheters for medication delivery (including safety-engineered and auto-disable devices); pre-filled IV flush syringes; regional anaesthesia needles and trays; sharps disposal containers; closed system transfer devices; skin antiseptic products; and surgical and laproscopic instrumentation.
Medical Management Solutions	IV medication safety and infusion therapy delivery systems, including infusion pumps and dedicated disposables; medication compounding workflow systems; and automated medication dispensing and supply management systems.
Pharmaceutical Systems	Pre-fillable drug delivery systems provided to pharmaceutical companies and sold to end-users as drug/device combinations.

BD Life Sciences

BD Life Sciences provides products for the safe collection and transport of diagnostics specimens, and instruments and reagent systems to detect a broad range of infectious diseases, healthcare-associated infections ("HAIs") and cancers. In addition, BD Life Sciences produces research and clinical tools that facilitate the study of cells, and the components of cells, to gain a better understanding of normal and disease processes. That information is used to aid the discovery and development of new drugs and vaccines, and to improve the diagnosis and management of diseases. The primary customers served by BD Life Sciences are hospitals, laboratories and clinics; blood banks; healthcare workers; public health agencies; physicians' office practices; academic and government institutions; and pharmaceutical and biotechnology companies. BD Life Sciences consists of the following business units:

Preanalytical Systems	Integrated systems for specimen collection; safety-engineered blood collection products and systems.
Diagnostic Systems	Automated blood culturing and tuberculosis culturing systems; molecular testing systems for infectious diseases and women's health; microorganism identification and drug susceptibility systems; liquid based cytology systems for cervical cancer screening; rapid diagnostic assays; microbiology laboratory automation; and plated media.
Biosciences	Fluorescence-activated cell sorters and analysers; monoclonal antibodies and kits for performing cell analysis; reagent systems for life science research; molecular indexing and next-generation sequencing sample preparation for genomics research; clinical oncology, immunological (HIV) and transplantation diagnostic/monitoring reagents and analysers; and cell culture media supplements for biopharmaceutical manufacturing.

The company has a manufacturing site in Swindon, producing products for the BD Medical segment, which are distributed in the UK, Europe and outside Europe. The site produces plastics products (components, finished products) for the group.

Review of the business and results for the year

BD's management operates the business consistent with the following core strategies:

- To increase revenue growth by focusing on our core products, services and solutions that deliver greater benefits to patients, healthcare workers and researchers;
- To improve operating effectiveness and balance sheet productivity; and
- To drive an efficient capital structure and strong shareholder returns.

Our strategy focuses on four specific areas within healthcare and life sciences:

- Enabling safer, simpler and more effective parental drug delivery;
- Improving clinical outcomes through new, more accurate and faster diagnostics;
- Providing tools and technologies to the research community that facilitate the understanding of the cell, cellular diagnostics and cell therapy; and
- Enhancing disease management in diabetes, women's health and cancer, and infection control.

In assessing the outcomes of these strategies as well as BD's financial condition and operating performance, management generally reviews quarterly forecast data, monthly actual results, segment sales and other similar information. We also consider trends related to certain key financial data, including gross profit margin, selling and administrative expenses and cash flows.

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

	2018 £000	2017 £000	Change %
Turnover	**68,335**	**69,344**	**(1)**
Operating profit	**10,067**	**12,973**	**(22)**
Profit after tax	**6,687**	**10,846**	**(38)**
Average number of employees	**346**	**316**	**9**

Product volume in 2018 showed overall growth of 7% (2017: 16.1%). Growth products were the Physioject line up 8% (2017: 9%), the Preventis lines with 23% growth (2017: 23%) and the PRTC lines with 14% growth (2017: 22%). Offsetting this was a discontinuation of the Soluvia product and a reduction in Sterifill demand of 39% (2017: 2% increase). As a group manufacturer, all volume changes have arisen from changes in production requirements issued by the company's principal related party customer.

The average number of employees increased in 2018 (2017: increased) with the increased volume.

The company in its role as group manufacturer invested £19.9 million (2017: £29.9 million) in new fixed assets including new lines and further automation during the year.

The strategy of the company remains unchanged.

Principal risks and uncertainties

Company management are responsible for managing any risks and uncertainties and for working with the BD group to understand and mitigate the risks that the company faces.

The company has rigorous budgeting and forecasting processes against which performance is monitored and any exposure to business risk can be identified and appropriate plans and actions put in place.

Credit risk

The company has customers in the private sectors. The company has a comprehensive credit policy in place that includes credit risk validations, credit limits and regular follow up of amounts due to the company.

Currency risk

The company has transactional currency exposures which arise from sales in Euro and purchases in currencies other than its functional currency (GBP). Potential exposures to foreign currency exchange rate movements are monitored through monthly cash forecasting process. These risks are managed by BD's treasury department at a group level.

Liquidity and cash flow risks

The company aims to mitigate liquidity risk by managing cash generation by its operations and applying cash collection targets throughout the company.

The company manages cash flow risk by careful negotiation of terms with customers and suppliers and maintains available funds to enable them to meet their liabilities as they fall due.

Competitive risk

The company has key competitors in the various business units BD management operate within the group. BD's business leaders' focus is on retaining our current business and gaining new business.

Legislative risk

The company operate in a regulated industry and products are subject to rigorous manufacturing standards.

This report was approved by the board and signed on its behalf by:

....

J Neat
Director

Date: 27 June 2019

Directors' Report
For the Year Ended 30 September 2018

The directors present their report together with the financial statements of the company for the year ended 30 September 2018.

Results and dividends

The profit for the year, after taxation, amounted to £6,687,000 (2017: £10,846,000).

The directors do not recommend the payment of any dividends (2017: nil).

Going concern

The financial position of the company and its exposures to financial and liquidity risks are summarised in the Strategic Report on page 4.

The company participates in the BD group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

The company has net current liabilities at the year end and is dependent on the ongoing financial support of its intermediate parent undertaking, Becton Dickinson Infusion Therapy Systems Inc. Becton Dickinson Infusion Therapy Systems Inc. has confirmed to the directors of the company that this support will be forthcoming for the foreseeable future, being not less than one year from the date of approval of these financial statements, in order to enable the company to fulfil its financial commitments as and when liabilities fall due. Accordingly, the directors have prepared these financial statements on a going concern basis.

Research and development ("R & D")

The company does not carry out substantial R & D activity. Research and development activities are mainly carried out elsewhere within the BD group. The company renders engineering services.

Future developments

The company expects to continue acting as a manufacturer for the group.

Financial instruments

The company finances its activities with a combination of bank loans, finance lease contracts, cash and short term deposits. Overdrafts are used to satisfy short term cash flow requirements. Other financial assets and liabilities, such as trade receivables and trade payables, arise directly from the company's operating activities.

Financial instruments give rise to foreign currency, interest rate, credit and price and liquidity risk. Information on how these risks arise is set out in the Strategic Report on page 4, as are the objectives, policies and processes for their management and the methods used to measure each risk.

Directors

The directors who served during the year and to the date of signing this report were:

J Neat
M Fairbourn
D Hopkin

Disabled employees

The company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and disabilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Employee involvement

The company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employee Regulations 2004. Regular meetings are held between local management and employees to allow a free flow of information and ideas. Employees participate directly in the success of the business through the company's profit sharing schemes and are encouraged to invest in the group through participation in the share ownership programme.

Directors' liabilities

The BD Group has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' Report.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Re-appointment of auditors

In accordance with s485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditors of the company.

This report was approved by the board and signed on its behalf by:

J Neat
....
J Neat
Director

Date: 27 June 2019

Becton Dickinson Infusion Therapy UK

Directors' Responsibilities Statement
For the Year Ended 30 September 2018

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements of the company in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements of the company 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). 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 accounting 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 to 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 of Becton Dickinson Infusion Therapy UK

Opinion

We have audited the financial statements of Becton Dickinson Infusion Therapy UK for the year ended 30 September 2018 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 September 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters 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; and

- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Ernst & Young LLP

Jane Barwell (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol
United Kingdom

Date: 28 June 2019

Becton Dickinson Infusion Therapy UK

Income Statement
For the Year Ended 30 September 2018

	Note	2018 £000	2017 £000
Turnover	4	**68,335**	69,344
Increase in stocks of finished goods and work in progress		**(437)**	(418)
Raw materials and consumables		**(25,975)**	(25,680)
Staff costs	8	**(19,272)**	(18,373)
Depreciation	12	**(7,096)**	(5,840)
Other operating charges		**(7,664)**	(6,089)
Other operating income		**2,176**	29
Operating profit	5	**10,067**	12,973
Interest payable and similar expenses	9	**(726)**	(354)
Net finance cost in respect of defined benefit pension scheme	10	**(56)**	(125)
Profit on ordinary activities before taxation		**9,285**	12,494
Tax on profit on ordinary activities	11	**(2,598)**	(1,648)
Profit for the financial year		**6,687**	10,846

Statement of Comprehensive Income
For the Year Ended 30 September 2018

	Note	2018 £000	2017 £000
Profit for the financial year		**6,687**	10,846
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial gain on defined benefit pension scheme	17	**604**	1,589
Related deferred tax	16	**(103)**	(290)
		501	1,299
Total comprehensive income for the year		**7,188**	12,145

The notes on pages 15 to 40 form part of these financial statements.

Becton Dickinson Infusion Therapy UK
Registered number: 00536128

Balance Sheet
As at 30 September 2018

	Note		2018 £000		2017 £000
Non-current assets					
Tangible fixed assets	12		**75,675**		85,717
Current assets					
Stocks	13	**6,159**		5,810	
Trade and other receivables: amounts falling due within one year	14	**31,684**		6,996	
Cash at bank and in hand		**-**		1,901	
		37,843		14,707	
Current liabilities					
Trade and other payables: amounts falling due within one year	15	**(59,907)**		(52,742)	
Net current liabilities			**(22,064)**		(38,035)
Total assets less current liabilities			**53,611**		47,682
Provisions for liabilities					
Deferred taxation	16	**(4,497)**		(3,601)	
Other provisions	19	**(18)**		-	
			(4,515)		(3,601)
Net assets excluding pension liability			**49,096**		44,081
Defined benefit pension liability	17		**(1,460)**		(3,851)
Net assets			**47,636**		40,230

Becton Dickinson Infusion Therapy UK
Registered number: 00536128

Balance Sheet (continued)
As at 30 September 2018

	Note	2018 £000	2017 £000
Capital and reserves			
Called up share capital	18	**12,500**	12,500
Share premium account	20	**4**	4
Capital redemption reserve	20	**3,137**	3,137
Profit and loss account	20	**31,995**	24,589
		47,636	40,230

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

J Neat
....
J Neat
Director

The notes on pages 15 to 40 form part of these financial statements.

Becton Dickinson Infusion Therapy UK

Statement of Changes in Equity
For the Year Ended 30 September 2018

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Equity share-holders' funds
	£000	£000	£000	£000	£000
At 1 October 2016	**12,500**	**4**	**3,137**	**12,274**	**27,915**
Comprehensive income for the year					
Profit for the financial year	-	-	-	**10,846**	**10,846**
Actuarial gain on defined benefit pension scheme (see note 17)	-	-	-	**1,589**	**1,589**
Related deferred tax (see note 16)	-	-	-	**(290)**	**(290)**
Other comprehensive income for the year	-	-	-	**1,299**	**1,299**
Total comprehensive income for the year	-	-	-	**12,145**	**12,145**
Share-based payment transactions	-	-	-	**170**	**170**
Total transactions with owners	-	-	-	**170**	**170**
At 1 October 2017	**12,500**	**4**	**3,137**	**24,589**	**40,230**
Comprehensive income for the year					
Profit for the financial year	-	-	-	**6,687**	**6,687**
Actuarial gain on defined benefit pension scheme (see note 17)	-	-	-	**604**	**604**
Related deferred tax (see note 16)	-	-	-	**(103)**	**(103)**
Other comprehensive income for the year	-	-	-	**501**	**501**
Total comprehensive income for the year	-	-	-	**7,188**	**7,188**
Share-based payment transactions	-	-	-	**218**	**218**
Total transactions with owners	-	-	-	**218**	**218**
At 30 September 2018	**12,500**	**4**	**3,137**	**31,995**	**47,636**

The notes on pages 15 to 40 form part of these financial statements.

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

The financial statements of Becton Dickinson Infusion Therapy UK ("the company") for the year ended 30 September 2018 were authorised for issue by the board of directors and the Balance Sheet was signed on the board's behalf by J Neat.

The company is a private unlimited company, incorporated and domiciled in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page at the beginning of these financial statements and the nature of the company's operations and its principal activities is set out in the Strategic Report on page 1.

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101") and in accordance with applicable accounting standards. The company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The results of Becton Dickinson Infusion Therapy UK are included in the consolidated financial statements of Becton, Dickinson and Company which are available from www.bd.com.

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

2. Accounting policies

Basis of preparation

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

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

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-based Payment, because the share-based payment arrangement concerns the instruments of another group entity and equivalent disclosures are included in the consolidated financial statement of the group.
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1; and
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment.
- the requirements of paragraphs 10(d), 10(f) and 134-136 of IAS 1 Presentation of Financial Statements.
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- 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;
- the requirements of paragraphs, 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

The accounting policies which follow set out those policies which apply in preparing the financial statements for both the current and previous year.

2. Accounting policies (continued)

Going concern

The company has net current liabilities at the year end and is dependent on the ongoing financial support of its intermediate parent undertaking, Becton Dickinson Infusion Therapy Systems Inc. Becton Dickinson Infusion Therapy Systems Inc. has confirmed to the directors of the company that this support will be forthcoming for the foreseeable future, being not less than one year from the date of approval of these financial statements, in order to enable the company to fulfil its financial commitments as and when liabilities fall due. Accordingly, the directors have prepared these financial statements on a going concern basis.

Foreign currencies

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

Transactions and balances

Transactions in foreign currencies are recorded at the 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.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all tangible fixed assets, other than land and assets in the course of construction, on a straight-line basis over its expected useful life as follows:

Land and buildings	–	nil to 2% per annum
Fixtures, fittings, plant and equipment	–	10% to 20% per annum
Assets in the course of construction	–	nil

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of tangible fixed assets is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the Income Statement in the period of derecognition.

Items of spare parts and engineering stock that were expected to be used in more than one period qualify as tangible fixed assets and are reclassified to tangible fixed assets and held at cost until they are ready to be used.

2. Accounting policies (continued)

Impairment of non-financial assets (excluding stocks)

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the Income Statement in those expense categories consistent with the function of the impaired asset.

For assets where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the asset or cash generating unit in prior years. A reversal of impairment loss is recognised immediately in the Income Statement, unless the asset is carried at a revalued amount when it is treated as a revaluation increase.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials, consumables and goods for resale	–	purchase on a first-in, first-out basis.
Work in progress and finished goods	–	cost of direct materials and labour plus attributable overheads based on a normal level of activity, excluding borrowing costs

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Trade and other receivables

Trade receivables, which generally have 45 days 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 where 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.

Cash at bank and in hand

Cash and short term deposits in the Balance Sheet comprise cash at banks and in hand and short term deposits with an original maturity of three months or less.

2. Accounting policies (continued)

Retirement benefits

(i) *Defined benefit pension scheme*

The company operates "The Becton Dickinson Pension Scheme for UK Employees", a multi-employer group defined benefit pension scheme which has all United Kingdom Becton Dickinson companies as participating employers.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Any increase in the present value of the liabilities of the company's defined benefit pension scheme expected to arise from employee service in the period is charged to operating profit.

The expected return on the scheme's assets and the increase during the period in the present value of the schemes liabilities arising from the passage of time are included in net finance costs in respect of defined benefit scheme. Actuarial gains and losses are recognised in other comprehensive income. Pension scheme surpluses, to the extent that they are considered recoverable, or deficits are recognised on the Balance Sheet net of related deferred tax, in accordance with the accounting policy for deferred taxation.

(ii) *Defined contribution pension scheme*

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

2. Accounting policies (continued)

Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss or loans and receivables, as appropriate. The company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset. The company's financial assets include cash and short-term deposits and trade and other receivables.

Subsequent measurement - Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value and subsequently measured at amortised cost using effective interest rate ("EIR") method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance revenue in the Income Statement. Losses arising from impairment are recognised in the Income Statement in other operating expenses.

Financial liabilities

Initial recognition measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Subsequent measurement - Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

2. Accounting policies (continued)

Financial instruments (continued)

Subsequent measurement - Derecognition of financial liabilities

A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in the Income Statement.

Revenue recognition

Sale of goods

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at a fair value of the consideration received, excluding discounts, rebates, VAT and other sales tax or duty. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Dividends

Revenue is recognised when the company's right to receive payment is established.

Research and development costs

Research costs are expensed to the Income Statement as incurred. Development expenditure on an individual project is recognised as an intangible asset when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development. Development costs that do not meet this criteria are expensed to the Income Statement as incurred.

2. Accounting policies (continued)

Share-based payments

The ultimate parent company grants share-based awards under the 2004 and 2012 Employee and Director Equity-based compensation plans ("2004 plan") ("2012 plan"), which provide for long-term incentive compensation to employees and directors consisting of: stock appreciation rights ("SARs"), and restricted stock units ("RSUs").

Equity settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become entitled to the award. Fair value is determined by an external valuer using an appropriate pricing model. Awards step-vest over a three or four-year period with a maximum term of ten years.

At each Balance Sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous Balance Sheet date is recognised in the Income Statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation and any cost not yet recognised in the Income Statement for the award is expensed immediately. Any compensation up to the fair value of the award at the cancellation or settlement date is deducted from equity with any excess over fair value being treated as an expense in the Income Statement.

The company has employees who hold SARs and RSUs granted to them while they were working for another subsidiary of the ultimate parent company. Such employees are classed as "Multis". To the extent that the share-based payments have not fully vested a pro-rata cost based on the fair value of such grants as applicable to the company is included in the expense calculations under IFRS 2.

Operating lease agreements

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the Income Statement on a straight line basis over the lease term.

Finance costs

Finance costs are charged to the Income Statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2. Accounting policies (continued)

Taxation

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.

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 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 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.

Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax asset 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.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the Income Statement.

Prior year reclassification

During the year the company reclassified the comparative figures for VAT, other taxation and social security balances and other creditors to a separate line item. These balances had been previously recognised within other receivables and accruals. There is no impact to the Income Statement or Statement of Financial Position.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Balance Sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements have had the most significant effect on amounts recognised in the financial statements:

Useful lives of tangible fixed assets

Depreciation is provided so as to write down the assets to their residual values over their estimated useful lives as set out in the company's accounting policy. The selection of these estimated lives requires the exercise of management judgement. Useful lives are regularly reviewed and should management's assessment of useful lives shorten then depreciation charges in the financial statements would increase and carrying amounts of tangible fixed assets would reduce accordingly. The carrying amount of tangible fixed assets by each class is included in note 12.

Provision for impairment in intercompany receivables

Management reviews the balances held as receivable balances with fellow group undertakings to assess for any indicators of impairment. Where there are insufficient net assets in group undertaking, management assess the likelihood of future profits, to determine whether an impairment exists.

Operating lease commitments

The company has entered into leases for property, plant and equipment. The classification of such leases as operating or finance lease requires the company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the Balance Sheet.

Pension benefits

The cost of defined benefit pension plans are determined using actuarial valuations. The actuarial variation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Further details are given in note 17.

4. Turnover

Turnover represents the revenue recognised from the sale of goods, exclusive of value added tax and trade discounts.

Turnover is attributable to the manufacture and marketing of medical and surgical products.

	2018 £000	2017 £000
Manufacture and marketing of medical products	**68,335**	69,344

An analysis of turnover by geographical market is given below:

	2018 £000	2017 £000
United Kingdom	**1,539**	1,789
Continental Europe	**63,272**	62,465
Rest of the World	**3,524**	5,090
	68,335	69,344

5. Operating profit

The operating profit is stated after charging/(crediting):

	2018 £000	2017 £000
Research and development costs expense	**1,540**	1,078
Depreciation of tangible fixed assets	**7,096**	5,840
Reversal of impairment of tangible fixed assets	**-**	(15)
Loss on disposal of fixed assets	**2,176**	30
Exchange loss/(gain)	**500**	(160)
Cost of stocks recognised as an expense	**30,069**	26,098
Operating lease payments	**262**	65

6. Auditors' remuneration

The company paid the following amounts to its auditors in respect of the audit of the financial statements provided to the company:

	2018 £000	2017 £000
Audit of the financial statements	**36**	36

The company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the group accounts of the parent company.

7. Directors' emoluments

The directors of the company are also directors or officers of a number of companies within the BD group. The directors' services to the company do not occupy a significant amount of time. As such, the directors do not consider that they have received any remuneration for their incidental services to the company for the years ended 30 September 2018 and 30 September 2017. The cost of directors' remuneration is reflected in the financial statements of the group companies.

8. Staff costs and employees

Staff costs were as follows:

	2018 £000	2017 £000
Wages and salaries	**16,066**	16,140
Social security costs	**1,750**	1,523
Other pension costs	**1,456**	710
	19,272	18,373

The average monthly number of employees during the year was as follows:

	2018 No.	2017 No.
Production	**206**	182
Selling and administration	**140**	134
	346	316

Included in wages and salaries is a total expense for share-based payments of £218,000 (2017: £170,000) all of which arises from transactions accounted for as equity-settled share-based payments transactions (see note 21).

Included in other pension cost is a charge for £303,000 (2017: £453,000) in respect of the defined benefit scheme and £1,153,000 (2017: £257,000) in respect of the defined contribution scheme.

9. Interest payable and similar charges

	2018 £000	2017 £000
Interest payable to group undertakings	**726**	354

10. Net finance costs in respect of defined benefit scheme

	2018 £000	2017 £000
Net finance cost in respect of defined benefit pension scheme	**56**	125

11. Tax on profit on ordinary activities

	2018 £000	2017 £000
Corporation tax		
Current tax on profits for the year	**1,069**	659
Adjustments in respect of previous periods	**736**	(190)
Total current tax	**1,805**	469
Deferred tax		
Origination and reversal of timing differences - current year	**793**	1,118
Origination and reversal of timing differences - prior year	**-**	240
Impact of changes in tax laws and rates	**-**	(179)
Total deferred tax (see note 16)	**793**	1,179
Taxation on profit on ordinary activities	**2,598**	1,648

11. Tax on profit on ordinary activities (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017: lower than) the standard rate of corporation tax in the UK of 19.0% (2017: 19.5%). The differences are explained below:

	2018 £000	2017 £000
Profit on ordinary activities before tax	**9,285**	12,494
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.0% (2017: 19.5%)	**1,764**	2,436
Effects of:		
Fixed asset differences	**98**	-
Share-based payments	**-**	9
Rate changes	**-**	(179)
Expenses not deductible for tax purposes	**66**	45
Pension costs	**12**	-
Temporary differences relating to pension	**-**	12
R&D expenditure credits	**24**	-
Group relief claimed	**-**	(759)
Adjustments in respect of previous years (current tax)	**736**	84
Adjust closing deferred tax to average rate of 19.0%	**(529)**	-
Adjust opening deferred tax to average rate of 19.0%	**424**	-
Timing differences not recognised	**3**	-
Total tax charge for the year	**2,598**	1,648

Factors that may affect future tax charges

The tax rate for the current year is lower than the prior year due to changes in the UK Corporation tax rate which decreased from 20% to 19% from 1 April 2017.

Changes to the UK Corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to 17% from 1 April 2020. Deferred taxes at the Balance Sheet date have been measured using these enacted tax rates and reflected in these financial statements.

12. Tangible fixed assets

	Land and buildings £000	Fixtures, fittings, plant and equipment £000	Assets in the course of construction £000	Total £000
Cost				
At 1 October 2017	**16,459**	**70,748**	**38,788**	**125,995**
Additions	**-**	**-**	**19,932**	**19,932**
Transfers intra group	**5**	**(2,186)**	**(19,296)**	**(21,477)**
Disposals	**-**	**-**	**(2,176)**	**(2,176)**
Transfers between classes	**960**	**10,397**	**(11,357)**	**-**
At 30 September 2018	**17,424**	**78,959**	**25,891**	**122,274**
Depreciation				
At 1 October 2017	**9,248**	**31,030**	**-**	**40,278**
Charge for the year	**958**	**6,138**	**-**	**7,096**
Transfers intra group	**-**	**(775)**	**-**	**(775)**
At 30 September 2018	**10,206**	**36,393**	**-**	**46,599**
Net book value				
At 30 September 2018	**7,218**	**42,566**	**25,891**	**75,675**
At 30 September 2017	7,211	39,718	38,788	85,717

Included in land and buildings is land at £515,000 (2017: £515,000) which is not depreciated. All land and buildings held are freehold.

13. Stocks

	2018 £000	2017 £000
Raw materials	**2,598**	2,229
Work in progress	**1,399**	1,096
Finished goods	**2,162**	2,485
	6,159	5,810

The difference between purchase price or production cost of stocks and their replacement cost is not material.

14. Trade and other receivables: amounts falling due within one year

	2018 £000	2017 £000
Trade receivables	**1,705**	1,378
Amounts owed by group undertakings	**27,785**	1,366
VAT	**2,060**	2,809
Corporation tax	**10**	1,275
Prepayments and accrued income	**124**	168
	31,684	6,996

15. Trade and other payables: amounts falling due within one year

	2018 £000	2017 £000
Trade payables	**8,306**	13,190
Amounts owed to group undertakings	**49,887**	37,566
Other taxation and social security	**409**	363
Other creditors	**112**	79
Accruals and deferred income	**1,193**	1,544
	59,907	52,742

Within the amounts owed to group undertakings, there is a loan balance of £47,932,000 (2017: £30,464,000) with the counterparty BD Luxembourg Finance SARL, bearing an interest rate of 1.95%.

16. Deferred taxation

	2018 £000	2017 £000
At beginning of year	**(3,601)**	(2,132)
Charged to profit or loss (note 11)	**(793)**	(1,179)
Charged to other comprehensive income	**(103)**	(290)
At end of year	**(4,497)**	(3,601)

The deferred taxation balance is made up as follows:

	2018 £000	2017 £000
Accelerated capital allowances	**(5,065)**	(4,315)
Pension	**511**	655
Other temporary differences	**57**	59
	(4,497)	(3,601)

Deferred tax in the income statement:

	2018 £000	2017 £000
Accelerated capital allowances	**(830)**	(1,155)
Share-based payment	**(4)**	(24)
Pension	**41**	61
Changes in tax laws and rates	**-**	179
Prior year adjustment	**-**	(240)
	(793)	(1,179)

Deferred tax in the statement of other comprehensive income:

	2018 £000	2017 £000
Pension	**(103)**	(310)
Change in tax rates	**-**	32
Share-based payment	**-**	(12)
	(103)	(290)

17. Pension commitments

The group operates a funded group defined benefit pension scheme, "The Becton Dickinson Pension Scheme for UK Employees" for eligible employees. The pension scheme is under common control and risks are shared between participating companies, with scheme liabilities split by company employee numbers, assets split in proportion to liabilities and contributions split by employee numbers.

The scheme provides final salary benefits with a normal retirement age of 65. The scheme is closed to new entrants. New employees in the UK are now offered a defined contribution scheme.

A full triennial actuarial valuation was last carried out as at 31 December 2015 by a qualified independent actuary William M Mercer Limited. The valuation showed a deficit of £21,200,000 for the scheme as a whole at the valuation date based on assumptions made for calculating its technical provisions. In order to eliminate the deficit, the participating employers made a payment of £11,330,000 on 2 October 2017 and made a payment of £11,330,000 in October 2018. Future service contributions at a rate of 26.6% of Pensionable Salaries from 1 February 2017 (the employer future service contribution rate previous to this was 21.2% of Pensionable Salaries).

The Scheme operates under trust law and is managed and administered by the Trustee on behalf of the members in accordance with the terms of the Trust Deed and Rules and relevant legislation. The Scheme's assets are held by the trust.

Annual increases on benefits in payment in respect of post 6 April 1997 service are dependent on inflation so the main uncertainties affecting the level of benefits payable under the Scheme are future inflation levels and the actual longevity of the membership. The rules of the Scheme have been amended to put a pensionable salary cap for active members of 1% per annum in place.

The investment strategy of the Scheme has been chosen with regard to the nature and duration of the liabilities.

	2018 £000
Expected contributions for the year ending 30 September 2019 (whole scheme)	
Employer	12,778
Scheme participants	273
	13,051

This may change as a result of the 31 December 2018 triennial actuarial valuation.

	£000
Maturity profile of defined benefit obligation (whole scheme)	
Expected benefit payments during fiscal year ending 30-Sep-19	3,738
Expected benefit payments during fiscal year ending 30-Sep-20	3,939
Expected benefit payments during fiscal year ending 30-Sep-21	3,988
Expected benefit payments during fiscal year ending 30-Sep-22	4,348
Expected benefit payments during fiscal year ending 30-Sep-23	4,731
Expected benefit payments during fiscal year ending 30-Sep-24 through 30-Sep-28	31,356

17. Pension commitments (continued)

The company estimates the present value of the duration of UK scheme liabilities on average fall due over 19.1 years (2017: 19.8 years).

The total contributions by all participating employers to the defined benefit scheme in the financial year 2019 are expected to be £12,778,000 for the group (2018: £12,903,000). Of this balance, the contribution of the company in the financial year 2019 is expected to be £2,338,000 (2018: £2,185,000).

The company's share of the values of the assets and liabilities as at 30 September were as follows:

	2018 £000	2017 £000
Company share of the scheme assets at fair value		
Equities	**8,155**	7,535
Bonds	**2,973**	2,655
Property	**918**	803
Others	**5,778**	4,412
Company share of the total market value of assets	**17,824**	15,405
Present value of company share of scheme liabilities	**(19,284)**	(19,256)
Pension liability	**(1,460)**	(3,851)

	2018 £000	2017 £000
Analysis of the amount charged to operating profit		
Current service cost	**354**	366
Total operating charge	**354**	366

	2018 £000	2017 £000
Analysis of the amount charged to other finance cost		
Interest on pension scheme assets	**460**	335
Interest on pension scheme liabilities	**(516)**	(460)
Total other finance cost	**(56)**	(125)

17. Pension commitments (continued)

	2018 £000	2017 £000
Analysis of the amount recognised in other comprehensive income		
Return on plan assets (excluding amounts included in net interest expense)	**(118)**	(553)
Actuarial changes arising from liability experience	**(231)**	83
Actuarial changes arising from changes in liability assumption changes	**(255)**	(1,119)
Actuarial (gain) recognised in other comprehensive income	**(604)**	(1,589)

Main assumptions:

Pension contributions are determined with the advice of independent qualified actuaries, William M Mercer Limited, on the basis of annual valuations using the projected unit credit method. The projected unit credit method is an accrued benefits valuation method in which the scheme liabilities make allowance for future earnings. Scheme assets are stated at their market values at the respective Balance Sheet dates and overall expected rates of return are established by applying published broker's forecast to each category of scheme assets.

	2018 %	2017 %
Rate of increase in salaries	**1.0**	1.0
Rate of increase in pensions in payment	**3.0**	3.0
Discount rate	**2.72**	2.65
Expected rates of return on scheme assets	**2.50**	2.50
Inflation assumption (RPI)	**3.55**	3.55
Current pensioners at 65 - male	**23**	23
Current pensioners at 65 - female	**24**	24
Future pensioners at 45 - male	**24**	24
Future pensioners at 45 - female	**26**	26

Statement of assumptions

IAS 19 requires actuarial assumptions to be "unbiased and mutually compatible" and specifies that they should be "an entity's best estimates of the variables that will determine the ultimate cost of providing post-employment benefits". The assumptions disclosed in this appendix are for the year ending 30 September 2018 financial reporting and disclosure and the fiscal year 2019 defined benefit cost.

The use of different assumptions arises from the requirements of IAS 19 whereby the defined benefit cost is calculated based on assumptions at the start of the period, and the value of the defined benefit obligation ("DBO") is calculated based on assumptions at the measurement date.

17. Pension commitments (continued)

Discount rate

2.72% per annum (2017: 2.65%).

The discount rate has been derived with reference to market yields at the end of the reporting period on high quality sterling-denominated corporate bonds with maturities consistent with the estimated term of the post-employment benefit obligations.

The discount rate is used to calculate the DBO. The DBO is the present value of expected future payments inherent in the company's obligation under the Scheme terms to provide benefits resulting from employee service in the current and prior periods. The mean discounted term of the obligation is approximately 19.1 years (2017: 19.8 years).

The choice of discount rate does not directly affect the funding of the Scheme or the ability of the Scheme to meet its obligations to pay benefits to participants. The discount rate determines the DBO reported in the company's financial statements at the fiscal year end and the service cost and net interest on the net defined benefit liability for the following fiscal year.

IAS 19 requires the discount rate to be based on high quality corporate bond yields.

Assumed pension increases in payment

The pension increase assumptions at the 2018 year-end are based on the relevant RPI or CPI inflation assumptions and allow for the effect of pension increase caps and floors, using the Black Scholes model.

- Pensions accrued pre 1997: 3.00% per annum
- Pensions accrued between 6 April 1997 and 5 April 2006: 2.55% per annum
- Pensions accrued from 6 April 2006: 2.05% per annum

Assumed pension increases in deferment

Pensions accrued pre 2009: 2.55% per annum

Pensions accrued post 2009: 2.50% per annum

Mortality

The mortality assumption used is the S2PA base table with a weighting of 103% and 93% respectively for male and female non-pensioners and with a weighting of 98% and 96% respectively for male and female pensioners, with future mortality improvements in line with CMI 2015 projections with a long term trend rate of 1.25% per annum.

At 30 September 2018:

	Male	Female
Life expectancy at age 65 for a member currently		
Aged 65	**23.0**	**24.1**
Aged 45	**24.4**	**26.3**

17. Pension commitments (continued)

Sensitivity analysis

Significant actuarial assumptions at 30 September 2018:

	Assumption used p.a.	Sensitivity Analysis	Effect on DBO
Discount rate	2.47%	0.25% decrease	+4.8%
Discount rate	2.97%	0.25% increase	-4.6%
RPI Inflation (1)	3.80%	0.25% increase	+3.1%
RPI Inflation (1)	3.30%	0.25% decrease	-3.0%

(1) Allowance is made for the resulting change to all assumptions linked to RPI such as revaluation in deferment (CPI-linked) and pension increases in retirement (CPI-linked and RPI-linked).

Changes in the present value of the defined benefit obligations are analysed as follows:

	2018 £000	2017 £000
Benefit obligation at the beginning of the year	19,256	19,779
Current service cost	354	366
Interest cost	516	460
Plan participants' contributions	53	55
Actuarial gain	(486)	(1,036)
Benefits paid	(409)	(368)
Benefit obligation at the end of the year	19,284	19,256

Changes in the fair values of plan assets are analysed as follows:

	2018 £000	2017 £000
Fair value of plan assets at the beginning of the year	15,405	14,653
Expected return on plan assets	118	553
Employer contribution	2,353	264
Interest income on plan assets	460	335
Plan participants' contributions	53	55
Benefits paid	(409)	(368)
Administrative costs paid	(156)	(87)
Fair value of plan assets at the end of the year	17,824	15,405

17. Pension commitments (continued)

	2018 £000	2017 £000	2016 £000	2015 £000	2014 £000
Fair value of scheme assets	**17,824**	15,405	14,653	12,597	11,746
Present value of defined benefit obligation	**(19,284)**	(19,256)	(19,779)	(15,493)	(13,445)
Deficit in the scheme	**(1,460)**	(3,851)	(5,126)	(2,896)	(1,699)

	2018 £000	2017 £000	2016 £000	2015 £000	2014 £000
Experience adjustments arising on plan liabilities	**231**	(83)	(899)	(417)	91
Experience adjustments arising on plan assets	**-**	-	-	-	-

The company had pension commitments included in the Balance Sheet at 30 September 2018 of £27,000 (2017: £26,000) relating to the defined contribution pension scheme and £84,000 (2017: £24,000) relating to the defined benefit pension scheme.

18. Called up share capital

	2018 £000	2017 £000
Authorised, allotted, called up and fully paid		
12,500,000 (2017: 12,500,000) Ordinary shares of £1 each	**12,500**	12,500

19. Other provisions

	Restructuring £000
At 1 October 2017	-
Charged to profit or loss	18
At 30 September 2018	**18**

During the year, a provision of £18,000 (2017: £nil) was recognised in respect of restructuring employee retention costs.

20. Capital and reserves

Called up share capital

Share capital represents the issued and fully paid up equity share capital of the company.

Share premium account

Share premium represents the amount received by the company for a stock issue exceeding its nominal value.

Capital redemption reserve

Capital redemption reserve represents amounts transferred from share capital on redemption of issued shares.

Profit and loss account

The profit and loss account represents cumulative profit, losses and total other recognised income or losses made by the company, including distributions to, and contributions from, the parent company.

21. Share-based payments

The ultimate parent company grants share-based awards under the 2004 and 2012 Employee and Director Equity-based compensation plans ("2004 plan") ("2012 plan"), which provides for long-term incentive compensation to employees and directors consisting of: stock appreciation rights ("SARs") and restricted stock units ("RSUs"). The ultimate parent company believes such awards align the interest of its employees and directors with those of its shareholders.

Stock Appreciation Rights ("SARs")

SARs represent the right to receive, upon exercise, shares of common stock having a value equal to the difference between market price of common stock on the date of exercise and the exercise price on the date of grant. SARs granted prior and post to 10 October 2016 and step-vest over a four-year period and have a ten-year term. The fair value was estimated on the date of grant using a lattice-based binomial option valuation model, taking into account the terms and conditions upon which the options were granted.

The company has employees, who hold SARs granted to them while they were working for another subsidiary of the ultimate parent company. Such employees are classed as "Multis". To the extent that the SARs have not fully vested a pro-rata cost based on the fair value of such grants as applicable to the company is included in the expense calculations under IFRS 2.

The weighted average remaining contractual life at 30 September 2018 was 0.15 years (2017: 1.15 years). The exercise price of SARs outstanding at 30 September 2018 was $62.50 (2017: $62.50).

The expense recognised for stock appreciation rights granted to employees for employee services received during the year to 30 September 2018 is £nil (2017: £nil).

Restricted Stock Units ("RSUs")

The ultimate parent company also grants time vested and performance-based RSUs which step-vest over a three-year period.

For time-vested RSUs the related share-based compensation expense is recorded over the vesting period. The fair value is based on the market price of the ultimate parent company's stock on the date of the grant.

The company has employees, who hold RSUs granted to them while they were working for other subsidiaries of the ultimate parent company. Such employees are classed as "Multis". To the extent that the RSUs have not fully vested a pro-rata cost based on the fair value of such grants as applicable to the company is included in the expense calculations under IFRS 2.

The performance-based RSUs are tied to the ultimate parent company's performance against pre-established targets, including its average growth rate of consolidated revenues and average return on invested capital, over a three-year performance period. Under the ultimate parent company's long-term incentive program, the actual payout under these awards may vary from zero to 250% of an employee's target payout, based on the group's actual performance over the three-year performance period. Compensation cost initially recognised assumes that the target payout level will be achieved and is adjusted for subsequent changes in the expected outcome of performance-related conditions.

The weighted average remaining contractual life at 30 September 2018 is 8.44 years (2017: 8.31 years). The range of exercise prices of options outstanding at 30 September 2018 is $150.12 to $220.31 (2017: $134.73 to £170.69).

The expense recognised for RSUs granted to employees for employee services received during the year to 30 September 2018 is £218,000 (2017: £170,000).

22. Capital commitments

Amounts contracted for, but not provided, in the financial statements for capital spend amounted to £1,530,000 (2017: £7,852,000).

23. Operating lease commitments

The company has entered into car and equipment leases. These leases have an average duration of between 3 and 5 years. There are no restrictions placed upon the leasee by entering into these leases.

Future minimum rentals payments under non-cancellable operating leases are as follows:

	2018 £000	2017 £000
Not later than 1 year	**215**	33
Later than 1 year and not later than 5 years	**562**	84
Later than 5 years	**-**	7
	777	124

There are no sublease agreements.

24. Ultimate parent company and controlling party

The company's immediate parent undertaking is Becton Dickinson Infusion Therapy Holdings UK Limited, which has a registered office address of 1030 Eskdale Road, Winnersh Triangle, Wokingham, Berkshire, RG41 5TS.

The company's ultimate parent undertaking and controlling party is Becton Dickinson, and Company, which has a registered office address of 1 Becton Drive, Franklin Lakes, NJ 07417-1880, United States of America. Copies of its group financial statements, which include the company, are available from www.bd.com.