Registered No. 04085346

BSN medical Limited

Strategic report, Directors' report and Financial Statements

31 December 2017

Directors
A Jordan
D Hall
P Goodman

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
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Strategic report

The directors present their strategic report for the year ended 31 December 2017.

Review of the business

The principal activity of the Company during the year was to sell a wide range of high quality healthcare products.

On 3rd April, 2017, the BSN medical group 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'.

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

	2017	*2016*	*Change*
	£000	*£000*	*%*
Turnover	32,171	30,882	4.2%
Gross profit	18,072	19,217	(6.0%)
Operating profit	5,800	7,769	(25.3%)
Operating profit to turnover	18.0%	25.1%	(7.1%)
Profit before taxation	6,352	8,351	(25.9%)
Profit before taxation to turnover	19.7%	27.0%	(7.3%)

Growth in sales of 4.2% to £32,171,000 (2016: £30,882,000) was driven largely by strong growth of Lymphology products in the Pharmacy channel. Also contributing to this growth was the full year impact of the agency agreement with the company's distributor in Ireland.

Cost of sales have increased year on year to £14,099,000 (2016: £11,665,000), remaining broadly in line with expectations, however being impacted by a weakening of GBP against the Euro. Gross profit of £18,072,000 was achieved during the year (2016: £19,217,000).

Distribution & Administration expenses have increased from prior year but are broadly in line with expectations. The increase year on year was due largely to full year commission paid as part of the agency agreement with HC21 in Ireland, and additional heads employed by the business in 2017.

Thus, a decrease in operating profit to £5,800,000 (2016: £7,769,000) is driven mainly by the weakening of GBP against the Euro at gross margin level and the increase in expenses mentioned above.

BSN operate in a competitive market supplying both the public and private sector in the UK and Ireland. The strategy of BSN is to grow sales year on year by offering high quality and innovative products to the UK healthcare market.

Principal risks and uncertainties

Operational Risk

The company's operational risks include environmental, health and safety and IT/power failures. The management of environmental risks includes an Environmental Management System Manual and internal audits. The company has maintained Corporate Certification to ISO14001, which ensures legal environmental compliance and pollution risk management. The management of health and safety risks includes a Health and Safety Manual, annual Risk Assessment Packs, Operations Standards Diaries and internal audits. Disaster recovery procedures exist in the event of power and IT outages and are implemented when required.

Strategic report (continued)

Credit Risk

The company's credit risks include unprofitable contracts and bad debts. Potential new business undergoes both a comprehensive profit study and credit checks before being tendered for.

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

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The group aims to mitigate liquidity risk by managing cash generation by its operations, applying cash collection targets throughout the group.

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.

The increased volatility of the Sterling currency could impact the Company's future results due to its exposure to foreign currency exchange movements. The depreciation of the Sterling currency would result in an increase in the cost of goods sourced from overseas.

By order of the Board

D Hall
Secretary

21st September 2018

Directors' report

The directors present their report for the year ended 31 December 2017.

Directors of the company

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

P Goodman
A Jordan
D Hall

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

According to the register of directors' interests, no rights to subscribe for shares in the company or any other group company were granted to any of the directors or their immediate families during the financial year.

Dividends

During the year an interim dividend of £Nil (2016 - £Nil) was paid to the company's parent, BSN medical UK Holding Limited. No final dividends have been approved (2016: £Nil).

Future developments

BSN intend to launch innovative products in future years to increase its share of the UK healthcare market.

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-sterling denominated costs. At 31 December 2017 the company held forward foreign currency contracts, the fair value of which was an asset of £4,471.

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 on 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.

Directors' report (continued)

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 director has taken all the steps that they are obliged to take as director 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

23rd September 2018

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 OF BSN MEDICAL LIMITED

Opinion

We have audited the financial statements of BSN medical Limited for the year ended 31 December 2017 which comprise of the primary statements such as the Income Statement, the Statement of comprehensive income, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 17, 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 (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with 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.

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.

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 four, 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.

Ernst & Young LLP

Richard Frostick (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
24 Marina Court
Castle Street
Hull
HU1 1TJ

Date: 21 September 2018

Profit and loss account

for the year ended 31 December 2017

	Note	*2017* *£000*	*2016* *£000*
Turnover	3	32,171	30,882
Cost of sales		(14,099)	(11,665)
Gross profit		18,072	19,217
Distribution expenses		(2,467)	(2,216)
Administration expenses		(11,318)	(10,894)
Other operating income	4	1,513	1,662
Operating profit		5,800	7,769
Interest payable and similar charges	7	-	(4)
Interest receivable	8	552	586
Profit on ordinary activities before taxation		6,352	8,351
Tax	9	(982)	(1,085)
Profit on ordinary activities after taxation		5,370	7,266

All amounts relate to continuing activities.

Statement of comprehensive income

for the year ended 31 December 2017

	2017 *£000*	*2016* *£000*
Profit for the year	5,370	7,266
Actuarial loss	-	(14)
Movement in hedge reserve	(141)	43
Total comprehensive gain for the year	5,229	7,295

Balance sheet

at 31 December 2017

	Note	*2017* *£000*	*2016* *£000*
Fixed assets			
Intangible assets	10	2,117	2,117
Tangible assets	11	180	72
		2,297	2,189
Current assets			
Debtors	12	34,711	30,799
Cash at bank and in hand		2,255	2,232
		36,966	33,031
Creditors: amounts falling due within one year	13	(4,457)	(5,643)
Net current assets		32,509	27,388
Total assets less current liabilities		34,806	29,577
Net assets before post-retirement medical benefit plan liability		34,806	29,577
Post-retirement medical benefit plan liability	16	(115)	(115)
Net assets		34,691	29,462
Capital and reserves			
Share capital	14	20,000	20,000
Retained earnings		14,691	9,314
Cash flow hedge reserve		-	148
Shareholders' funds		34,691	29,462

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

D Hall
Director

Registered No. 04085346

Statement of Changes in Equity

For the year ended 31 December 2017

	Share capital	*Retained Earnings*	*Cash flow hedge reserve*	*Total equity*
	£000	*£000*	*£000*	*£000*
At 1 January 2016	20,000	2,057	110	22,167
Profit for the year	-	7,262	-	7,262
Other comprehensive income	-	(5)	38	33
Total comprehensive income	-	7,257	38	7,295
At 1 January 2017	20,000	9,314	148	29,462
Profit for the year	-	5,370	-	5,370
Other comprehensive income	-	7	(148)	(141)
Total comprehensive income	-	5,377	(148)	5,229
At 31 December 2017	**20,000**	**14,691**	-	**34,691**

Notes to the financial statements

At 31 December 2017

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

The financial statements of BSN Medical Limited (the "Company") for the year ended 31 December 2017 were authorised for issue by the board of directors on 13th September 2018 and the balance sheet was signed on the board's behalf by David Hall. BSN Medical 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 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 Essity Aktiebolag (publ)., which are publicly available and can be obtained from BSN medical, Willerby Hill Business Park, Willerby, Hull, HU10 6FE.

The company has used a true and fair view override in respect of the non-amortisation of goodwill (see note 2.3 (c)).

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 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 2017.

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;

(ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;

Notes to the financial statements (continued)

At 31 December 2017

2.1 Basis of preparation (continued)

(iii) paragraph 118(e) of IAS 38 Intangible Assets;

(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 New or amended accounting standards effective after 2017

At the date of issue of the financial statements the following accounting standards, which have not yet been adopted, were in issue but not yet effective. These accounting standards are described below; other new or amended standards are not expected to have a material impact on the Company's financial statements.

(a) IFRS 15 'Revenue from contracts with customers'

IFRS 15 'Revenue from contracts with customers' establishes a new regulatory framework for the manner in which a company should recognise revenue. The new standard will replace IAS 11 'Construction contracts', IAS 18 'Revenue', IFRIC ('International Financial Reporting Interpretations Committee') 13 'Customer loyalty programmes', IFRIC 15 'Agreements for the construction of real estate', IFRIC 18 'Transfers of assets from customers' and SIC ('Standing Interpretation Committee' of the IASC, predecessor to the IFRIC) 31 'Revenue – Barter transactions involving advertising services'. The standard will apply from 1 January 2018.

The standard regulates commercial agreements (contracts) with customers in which delivery of goods/services is divided into separately identifiable performance obligations that are recognised independently. The standard establishes rules for calculating the transaction price for delivery of goods and services and the manner in which this can be allocated among the various performance obligations. Revenue is recognised when control has passed to the customer by the customer being able to use or benefit from the good/service, at which point it is deemed to have been transferred. IFRS 15 aims to create more comparable and transparent financial reporting, which will be achieved by separating customer contracts and by providing significantly expanded disclosure regarding how and when revenue is generated.

Following the issue of IFRS 15, Essity initiated a project to evaluate the group impact of implementing the new standard. The project team identified various types of contracts that exist within the group and provided training in what is entailed by the transition to IFRS 15. The conclusion drawn was that Essity's sales mainly comprise sales of products and, to a limited extent, services, but to ensure separate accounting of sales and services, separate accounts have been created for this.

Notes to the financial statements (continued)

2.2 New or amended accounting standards effective after 2017 (continued)

(b) IFRS 16 'Leases'

In January 2016, the IASB published IFRS 16; a new standard on leases which will replace IAS 17. The standard requires that all assets and liabilities attributable to leases, with the exception of those with a term of less than 12 months or assets with a low value, are recognised in the balance sheet. The standard is applicable to fiscal years beginning on or after 1 January 2019; the Company will transition to the new standard from this date.

Essity has formed a project team that will prepare the group to adapt its reporting to the new standard and have commenced preparations for the transition. During the second quarter of 2018, a systems provider has been selected in order to support compliance with the new standard and an evaluation of existing lease agreements in order to assess the impact of the transition has commenced. The initial assessment has concluded that the new standard will impact Essity insofar as all rental contracts for premises, vehicles and other large leasing objects will be recognised in the balance sheet.

(c) IFRS 9 'Financial Instruments'

IFRS 9 Financial Instruments was issued in July 2014 and is a new standard that replaces IAS 39. The standard is divided into three areas: classification and measurement of financial assets and liabilities, impairment and hedging.

The standard introduces a new model for impairment of financial assets based on expected losses and not as previously under IAS 39 until the loss event has already occurred. Under the model, provisions are established for credit losses that may arise within the next 12 months for assets with low credit risk. In other cases where the credit risk is now low, provisions are established for credit losses that are expected to occur during the full life-time of the asset.

The new standard focuses to a great extent on reflecting an entity's risk management strategies in hedge accounting and allowing more hedging strategies to qualify for hedge accounting. Essity have evaluated the new rules for hedge accounting and have concluded that these may provide greater scope to apply hedge accounting across the group.

2.3 Judgements 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 (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Taxation:

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 9.

Post-employment benefits

The cost of the post-employment medical benefit is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates. 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.

Notes to the financial statements (continued)

At 31 December 2017

2.4 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 sterling, which is also the company's functional currency.

Transactions in foreign currencies are initially recorded in the entity'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) Intangible assets

The UK Companies Act requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the directors, its useful economic life.
However, under IFRS 3 Business Combinations goodwill is not amortised. Consequently, the company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The company is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act. Had the company amortised goodwill a period of 20 years would have been chosen as the useful life for goodwill.

Goodwill is initially measured at cost being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units (or groups of cash generating units) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which goodwill is allocated shall represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and not be larger than an operating segment before aggregation.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this

Notes to the financial statements (continued)

At 31 December 2017

2.4 Significant accounting policies (continued)

circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

(d) Tangible fixed assets

Plant and equipment is 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. Borrowing costs directly attributable to assets under construction and which meet the recognition criteria in IAS 23 are capitalised as part of the cost of that asset.

Depreciation is provided on all property, plant and equipment, other than land, on a straight-line basis over its expected useful life as follows:

Plant and equipment – 3 to 10 years

The carrying values of property, plant and equipment 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 property, plant and equipment 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.

(e) Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

(f) Leases

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

(g) Research and development expenditure

Expenditure on research and development is written off to the profit and loss account in the period in which it is incurred.

(h) 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.

Notes to the financial statements (continued)

At 31 December 2017

2.4 Significant accounting policies (continued)

(h) Derivative financial instruments (continued)

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.

(i) 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.

(j) Cash at bank and in hand

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

(k) 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.

Until 2006 the company operated a post-retirement medical benefit plan for certain employees. As part of this post-retirement medical benefit plan, the Company has an obligation to provide agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne by the Company.

Notes to the financial statements (continued)

At 31 December 2017

2.4 Significant accounting policies (continued)

(l) Revenue recognition

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers. Revenue is recognised upon dispatch of goods to customer by a fellow group company providing warehousing and distribution services.

(m) 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.

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.
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.

Notes to the financial statements (continued)

At 31 December 2017

3. Turnover

	2017	2016
	£000	£000
By geographical market		
UK	29,565	29,008
Ireland	2,606	1,874
	32,171	30,882

4. Operating profit

This is stated after charging/(crediting):

	2017	2016
	£000	£000
Auditors' remuneration – audit services	10	8
– non-audit services	–	–
Depreciation of tangible fixed assets	34	30
Operating leases - other	181	297
Operating leases - land & buildings	183	183
Other operating income	(1,513)	(1,662)

Other operating income of £1,513,000 (2016 – £1,662,000) relates to royalty income.

5. Directors' remuneration

	2017	2016
	£000	£000
Directors' remuneration	277	183

During the current period one director was remunerated directly by the company.

An allocation of the directors' remuneration has been recognised above, in relation to their qualifying services provided to the company during the current financial year.

Notes to the financial statements (continued)

at 31 December 2017

6. Staff costs

(a) Average number of employees

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

	Number of employees	
	2017	*2016*
	£000	*£000*
Administration	8	8
Sales and marketing	99	95
	107	103

(b) Aggregate payroll costs of these persons were as follows:

	2017	*2016*
	£000	*£000*
Wages and salaries	4,512	4,276
Social security costs	444	422
Other pension costs (see note 17)	800	714
	5,756	5,412

7. Interest payable and similar charges

	2017	*2016*
	£000	*£000*
Interest payable on bank overdrafts	-	4

8. Interest receivable and similar income

	2017	*2016*
	£000	*£000*
Interest on loans to parent undertaking	552	586

Notes to the financial statements (continued)

at 31 December 2017

9. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2017	*2016*
	€000	*€000*
Current tax:		
Adjustments in respect of prior year	0	(364)
UK corporation tax on the profit for the year	900	1,500
Total current income tax	900	1,136
Deferred tax:		
Origination / reversal of timing differences	82	(51)
Total deferred tax	82	(51)
Tax expense in the profit and loss account (note 9(b))	982	1,085

(b) Factors affecting tax charge for the year

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

	2017	*2016*
	£000	*£000*
Profit on ordinary activities before taxation	6,352	8,351
Current tax at 19.25% (2016: 20%)	1,223	1,670
Effects of:		
Tax credit on prior year	-	(364)
Group relief not paid for	(272)	(249)
Non-deductible expenses	31	28
Total tax charge (note 9(a))	982	1,085

(c) Deferred tax

The elements of deferred taxation are as follows:

	2017	*2016*
	£000	*£000*
Difference between accumulated depreciation and amortisation and capital allowances	101	81
Other timing differences	(25)	(56)
Undiscounted deferred tax liability	76	25

Notes to the financial statements (continued)

at 31 December 2017

9. Tax (continued)

(d) Factors that may affect future tax charge

The company forms part of a tax group under UK tax rules. Included in this group are BSN medical Distribution 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 15th September 2016 and announced the 18% rate given above will, in fact, be reduced to 17%. Deferred tax has been provided at the rate at which the timing differences are expected to reverse. Any deferred tax expected to reverse in the year to 31 December 2018 has been remeasured using the rates substantively enacted at 31 December 2017.

10. Intangible fixed assets

	Goodwill
	£000
Cost or valuation:	
At 31 December 2016 and 31 December 2017	2,117

11. Tangible fixed assets

	Plant and machinery
Cost or fair value:	
At 1 January 2017	869
Additions	142
Disposals	-
At 31 December 2017	1,011
Depreciation and impairment:	
At 1 January 2017	797
Provided during year	31
Additions	3
Disposals	-
At 31 December 2017	831
Carrying amount:	
At 31 December 2017	180
At 31 December 2016	72

Notes to the financial statements (continued)

at 31 December 2017

12. Debtors

	2017 £000	2016 £000
Trade debtors	4,696	4,143
Amounts due from parent undertaking	-	26,111
Amounts due from group undertakings	29,896	96
Prepayment and accrued income	119	449
	34,711	30,799

All amounts are due within one year.

Following the acquisition by SCA, the loan receivable from Company's parent (2016: £24,513,842) was repaid and taken out with the Group's treasury entity, Essity Treasury AB. Therefore, this loan is now presented within 'Amounts due from group undertakings'.

As a result there has been a reduction on the interest charged to 0.5% (previously 2.63%).

13. Creditors: amounts falling due within one year

	2017 £000	2016 £000
Trade creditors	129	135
Amounts owed to group undertakings	1,957	2,053
Taxation and social security	895	1,363
Deferred tax liability (Note 9(c))	76	25
Other creditors	1,400	2,067
	4,457	5,643

14. Issued share capital

	2017 £000	2016 £000
Authorised		
Equity: 50,000,000 ordinary shares of £1 each	50,000	50,000
Allotted, called up and fully paid		
Equity: 20,000,002 ordinary shares of £1 each	20,000	20,000

Notes to the financial statements (continued)
at 31 December 2017

15. Obligations under leases

At 31 December 2017 the company had commitments under non-cancellable operating leases as set out below:

	2017		2016	
	Land and buildings	*Other*	*Land and buildings*	*Other*
	£000	*£000*	*£000*	*£000*
Operating leases which expire:				
Within one year	168	201	183	190
In the second to fifth years inclusive	-	202	168	171
	168	403	351	361

16. Retired benefit plan

The company makes contributions to the BSN medical Stakeholder scheme based on a fixed percentage of employee salaries. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £800,000 (2016 – £714,000). There were no contributions outstanding at the year-end (2016 – £nil).

Until 2006 the company operated a post-retirement medical benefit plan for certain employees. The main actuarial assumptions are the underlying medical cost inflation of 3% per annum (2016 – 3%) the discount rate for obligations of 3.7 % per annum (2016 – 3.7%) and the discount rate for expenses of 3% (2016 – 3%). In 2006 the plan was changed and the company contributions towards the post–retirement insurance premiums will now only increase with the price inflation both before and after retirement, with employees being responsible for payment of any balance of costs. If the assumed rate of underlying medical cost inflation increased or decreased by 1% per annum then the valuation of the liabilities at 31 December 2017 is estimated to increase or decrease by approximately £1,000 respectively.

The liability of the post-retirement medical benefit plan are as follows:

	2017	2016
	£000	*£000*
Present value of post-retirement medical benefit plan obligation	115	115
Deficit	115	115
Related deferred tax asset	(26)	(26)
Net liability	89	89

Notes to the financial statements (continued)

at 31 December 2017

16. Retired benefit plan (continued)

Movements in present value of post-retirement medical benefit plan obligation:

	2017	*2016*
	£000	*£000*
As at 1 January 2017	115	100
Current service cost	-	1
Interest expense	-	4
Benefit payment from employer	-	(4)
Actuarial loss	-	14
As at 31 December 2017	115	115

Expenses recognised in the profit and loss account:

	2017	*2016*
	£000	*£000*
Current service cost	-	1
Interest cost	-	4
	-	5

The expense is recognised in the following line items in the profit and loss account:

	2017	*2016*
	£000	*£000*
Administrative expenses	-	1

The total amount recognised in the statement of comprehensive income in respect of actuarial losses is £Nil (2017 – £14,000).

17. Ultimate parent undertaking and controlling party

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

On 3rd April, 2017, the BSN medical group 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'.

The ultimate parent undertaking and controlling party is Essity Aktiebolag (publ), a company incorporated in Sweden.

For the year ended 31st December 2017, the largest and smallest group in which the results of the company are consolidated is that headed by Essity Aktiebolag (publ). Copies of the group financial statements, which are publicly available, can be obtained from BSN medical, Willerby Hill Business Park, Willerby, Hull, HU10 6FE.