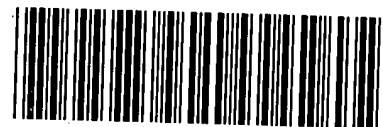


# **BSN medical Limited**

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

31 December 2021

THURSDAY



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15/09/2022

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COMPANIES HOUSE

**Directors**

A Jordan (Resigned 26th October,2021)

D Hall

P Goodman

P Bailey (Appointed 26<sup>th</sup> October,2021)

**Secretary**

D Hall

**Registered office**

Willerby Hill Business Park

Willerby

Hull

HU10 6FE

**Auditors**

Ernst & Young LLP

24 Marina Court

Castle Street

Hull

HU1 1TJ

**Bankers**

Commerzbank AG London

30 Gresham Street

London

EC2V 7PG

## Strategic report

The directors present their strategic report for the year ended 31 December 2021.

### Review of the business

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

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

	2021 £000	2020 £000	Change %
Turnover	33,879	30,923	9.6%
Gross profit	19,223	16,372	17.4%
Operating profit	6,214	4,630	34.2%
Operating profit to turnover	18.3%	15.0%	22.0%
Profit before taxation	6,195	4,615	34.2%
Profit before taxation to turnover	18.3%	14.9%	22.8%

An increase in sales of 9.6% to £33,879,000 (2020: £30,923,000) was due to relaxation of restrictions to deal with the COVID-19 pandemic, which had a detrimental effect on sales volumes in 2020.

The increased sales included an improved product mix. Margins also benefitted from FX gains on purchasing in 2021 as GBP strengthened against the EURO (£0.4M)

Gross profit of £19,223,000 was achieved during the year (2020: £16,372,000), an increase of 17.4%, resulting from the factors as outlined above.

Operating profit of £6,214,000 (2020: £4,630,000) represents a 34.2% increase on the prior year, resulting predominantly from the recovery from the COVID-19 pandemic

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.

The continuation of the COVID19 pandemic across the World is not having an effect on BSN. Further we note that the Russian/Ukraine conflict is not having a direct effect on the UK business.

### **Credit Risk**

The company's credit risks include 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.

### **Section 172 Statement**

The Directors fully understand their responsibilities under Section 172(1) of the Companies Act 2006 to promote the success of the Company, having regard to:

- The likely consequences of any decision in the long term;
- The interests of the Company's employees;
- The need to foster the Company's business relationships with suppliers, customers and others;
- The impact of the Company's operations on the community and the environment;
- The desirability of the Company in maintaining a reputation for high standards of business conduct; and
- The need to act fairly between members of the Company.

The following stakeholder groups according to Section 172(1) of the Companies Act 2006 were identified by the Directors as relevant for BSN medical Limited:

#### **Workforce**

Ensuring workforces are aligned to the objectives and values of the business as well as sharing and embedding group-wide safety, quality and integrity expectations. Management and employees are engaged via forums on site, surveys, briefings and value awards to drive staff decisions directly impacting the working environment.

#### **Suppliers**

Suppliers are a critical link in the overall supply chain, providing a source of value, consistency of quality and service and opportunity for innovation to meet the Company's business needs. Developing strong working relationships with the Company's suppliers is crucial to ensure these needs are met.

#### **Customers**

Engagement with customers drives alignment with our values, strategies, priorities, and strategic partnerships help to ensure business sustainability and growth. There are regular communication and review meetings to agree short, medium and long-term goals to develop relationships and ensure continuous improvement.

### **Regulators**

The Company operates in a highly regulated industry and thus engaging with regulators, as required, is of vital importance. The Company has access to specialist personnel and services within the group to ensure all regulatory obligations are met.

### **Pension schemes**

Providing effective savings and retirement planning for employees through engagement with a third-party advisor and mitigating impacts of rising pension costs and providing cover for employees' families.

### **Community**

Community engagement is recognised as important to employees and the communities in which the divisions operate. Employees can nominate local charities for fundraising events or request sponsorship/donations to local causes, which have a positive impact on employees and communities with which divisions are involved.

### **Section 172(2) Principal decisions**

The decision to begin to provide back office finance and administration services to affiliate companies in the UK, Germany, Netherlands, France, Sweden, Spain, Austria and Switzerland via the shared service centre in Willerby, an operation transferred from a fellow group company on 1 May 2020, is considered to be both material to the Company and significant to any of the Company's stakeholders listed above under Section 1. The Directors have considered the stakeholders in making its principal decisions.

By order of the Board



D Hall  
Secretary

5 Sept 2022

## Directors' report

The directors present their report for the year ended 31 December 2021.

### Directors of the company

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

P Goodman

A Jordan (Resigned 26th October 2021)

D Hall

P Bailey (Appointed 26<sup>th</sup> October 2021)

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 (2020 - £870,290) was paid to the company's parent, BSN medical UK Holding Limited.

No final dividends have been approved.

### 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.

### 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)

### Going concern

As of 31 December 2021, the Company had net assets of £13,763,000 (2020: £9,065,000) and net current assets of £10,842,000 (2020: net current assets of £6,596,000). The financial statements have been prepared on a going concern basis.

### 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

5 Sept 2022

## 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 2021 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 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 31 December 2021 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

## 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.

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 six, 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.

### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

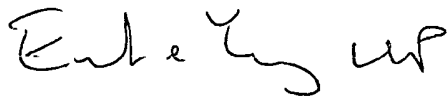
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework, FRS 101, the Companies Act 2006 and the relevant tax laws and regulations in the UK. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements relating to food safety, health and safety, employee matters and data protection.
- We understood how the company is complying with those frameworks by making enquiries of management. We corroborated our enquiries through our review of board minutes and consideration of the results of our audit procedures across the company.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where they considered there was susceptibility to fraud and reviewed the entity level controls in place. We also considered the existence of performance targets and their potential influence on management to manage earnings. We considered the controls that the Company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how management monitors those controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with the laws and regulations identified in the paragraphs above. Our procedures involved: journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions; enquiries of company management; and challenging the assumptions and judgements made by management by reviewing third party evidence wherever possible. We also leveraged our data analytics platform in performing our work to assist in identifying higher risk transactions for testing. The results of our procedures did not identify any instances or irregularities, including fraud.

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.



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

6 Sept 2022

## Income statement

for the year ended 31 December 2021

		2021	2020
	Note	£000	£000
<b>Turnover</b>	3	33,879	30,923
Cost of sales		(14,656)	(14,551)
<b>Gross profit</b>		19,223	16,372
Distribution expenses		(1,441)	(866)
Administration expenses		(14,072)	(14,328)
Other operating income		2,504	3,452
<b>Operating profit</b>	4	6,214	4,630
Interest payable	7	(24)	(29)
Interest receivable	8	5	14
<b>Profit on ordinary activities before taxation</b>		6,195	4,615
Tax	9	(1,498)	(971)
<b>Profit on ordinary activities after taxation</b>		4,697	3,644

All amounts relate to continuing activities.

The company has no recognised gains or losses for the year other than the results above and therefore no separate statement of comprehensive income has been presented.

## Balance sheet

at 31 December 2021

	Notes	2021 £000	2020 £000
<b>Non-current assets</b>			
Intangible assets	10	2,117	2,117
Tangible assets	11	424	14
Right of use assets	12	1,128	1,265
		<b>3,669</b>	<b>3,396</b>
<b>Current assets</b>			
Debtors: amounts falling within one year	13	19,719	15,661
Cash at bank and in hand		956	1,393
		<b>20,675</b>	<b>17,054</b>
<b>Current liabilities</b>			
Trade and other payables	14	(6,148)	(7,168)
Other taxation and social security	15	(3,345)	(2,974)
Lease liabilities	12	(340)	(316)
		<b>9,833</b>	<b>10,458</b>
<b>Net current assets</b>		<b>10,842</b>	<b>6,596</b>
<b>Total assets less current liabilities</b>		<b>14,511</b>	<b>9,992</b>
<b>Non-current liabilities</b>			
Lease liabilities	12	(748)	(927)
		<b>(748)</b>	<b>(927)</b>
<b>Net assets</b>		<b>13,763</b>	<b>9,065</b>
<b>Capital and reserves</b>			
Share capital	16	1,000	1,000
Retained earnings		12,763	8,065
<b>Total equity</b>		<b>13,763</b>	<b>9,065</b>

These financial statements were approved by the board of directors on 5 Sept 2022 and were signed on its behalf by:



D Hall  
Director

## Statement of Changes in Equity

For the year ended 31 December 2021

	<i>Share capital</i>	<i>Retained Earnings</i>	<i>Total equity</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
<b><i>At 1 January 2020</i></b>	<u>1,000</u>	<u>5,291</u>	<u>6,291</u>
Profit for the year	-	3,644	3,644
Total comprehensive income	-	3,644	3,644
Dividend paid	-	(870)	(870)
<b><i>At 1 January 2021</i></b>	<u>1,000</u>	<u>8,065</u>	<u>9,065</u>
Profit for the year	-	4,698	4,698
Total comprehensive income	-	4,698	4,698
Dividend paid	-	-	-
<b><i>At 31 December 2021</i></b>	<u>1,000</u>	<u>12,763</u>	<u>13,763</u>

## Notes to the financial statements

At 31 December 2021

### 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 2021 were authorised for issue by the board of directors on July 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 2021.

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



## Notes to the financial statements (continued)

At 31 December 2021

### *2.1 Basis of preparation (continued)*

- (d) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- (e) the requirements of IAS 7 Statement of Cash Flows;
- (f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- (g) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- (h) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

### *2.2 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 2021

### 2.3 Significant accounting policies

(a) Going concern

As of 31 December 2021, the Company had net assets of £13,763,000 (2020: £9,065,000) and net current assets of £10,842,000 (2020: net current assets of £6,596,000). The financial statements have been prepared on a going concern basis.

The Directors have considered the impact of the pandemic on the Company's business operations and future prospects. The Company's financial forecasts, taking into consideration the current environment, show that the Company is expected to remain profitable and generate positive cash flows giving the Company the ability to continue to operate for the foreseeable future.

The Directors have concluded it is appropriate for the financial statements to be prepared 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.

## Notes to the financial statements (continued)

At 31 December 2021

### 2.3 Significant accounting policies (continued)

#### (c) Intangible assets (continued)

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 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
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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.

## Notes to the financial statements (continued)

At 31 December 2021

### 2.3 Significant accounting policies (continued)

(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

When an agreement is entered into, the company must first consider whether the contract is or contains a lease. A contract is or contains a lease if:

- It contains an identified asset
- The lessee is entitled to essentially all economic benefits arising from the use of the identified asset
- The lessee is entitled to control the use of the asset

On the commencement date of the lease, meaning when the asset becomes available for use by the Company, a right-of-use asset and a financial liability are recognised in the balance sheet.

The right-of-use asset is measured at cost and includes the following:

- The value of the amount of the lease liability
- Lease payments made on or before the commencement date, after deductions for any benefits received in conjunction with signing the lease.
- Initial direct fees
- An estimate of expenses expected to be paid to restore the asset to the condition as stipulated in the terms of the lease

The right-of-use asset is recognised in the balance sheet within the non-current assets category and is depreciated on a straight-line basis over the shorter period of the asset's anticipated useful life and the lease term. The useful life is assessed on the basis of the length of the underlying contract taking into consideration the cancellation and renewal options.

The lease liability is measured at the present value of the following lease payments:

- Fixed fees, less any incentive receivables
- Variable lease payments due to an index or rate
- Amounts expected to be paid in accordance with residual value guarantees
- The exercise price for a purchase option, if the lessee is reasonably certain of exercising the option
- Financial penalties to be paid on termination of the lease, if the lease term reflects that the lessee will utilise this option.

Lease payments are normally discounted using the Essity group's incremental borrowing rate, as the implicit rate of the lease cannot be readily determined in most cases.

The lease liability is recognised in the balance sheet under the heading 'Non-current liabilities' as well as 'Current liabilities'. Lease liabilities are measured at amortised cost according to the effective interest method. The liability is remeasured when future payments are amended by index or by other means, such as a new assessment of future residual value commitments, or the exercise of purchase, renewal or cancellation options.

## Notes to the financial statements (continued)

At 31 December 2021

### 2.3 Significant accounting policies (continued)

#### (f) Leases (continued)

The Company has decided to apply the exemption rules for short-term leases and leases where the underlying asset has a low value. These leases are not included in the right-of-use asset or the liability. Lease payments for these contracts are expensed on a straight-line basis over the useful life. For 2018 and 2017, IAS 17 leases was applied as operating lease payments were expensed.

Assessments and assumptions must be used when reporting leases in accordance with IFRS 16 Leases. The two most significant are assessments concerning the length of the lease and the discount rate to be used.

#### (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. 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

## Notes to the financial statements (continued)

At 31 December 2021

### 2.3 Significant accounting policies (continued)

(i) Trade and other debtors (continued)

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.

(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

## Notes to the financial statements (continued)

At 31 December 2021

### 2.3 Significant accounting policies (continued)

#### (m) Income taxes (continued)

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.

### 3. Turnover

	2021 £000	2020 £000
<i>By geographical market</i>		
UK	30,440	27,805
Ireland	3,439	3,118
	<u>33,879</u>	<u>30,923</u>

### 4. Operating profit

This is stated after charging/(crediting):

	2021 £000	2020 £000
Auditors' remuneration – audit services	11	15
Depreciation - tangible fixed assets	11	65
Depreciation - right of use assets	375	337
Other operating income	<u>(2,504)</u>	<u>(3,452)</u>

Other operating income of £2,504,000 (2020 – £3,452,000) relates to royalty income and management recharges to group companies.

### 5. Directors' remuneration

	2021 £000	2020 £000
Directors' remuneration	<u>436</u>	<u>292</u>

During the current period two directors were 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 2021

### 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:

	<i>Number of employees</i>	
	<i>2021</i>	<i>2020</i>
	<i>£000</i>	<i>£000</i>
Administration	48	47
Sales and marketing	100	110
	<u>148</u>	<u>157</u>

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

	<i>2021</i>	<i>2020</i>
	<i>£000</i>	<i>£000</i>
Wages and salaries	7,169	7,072
Social security costs	644	643
Other pension costs (see note 17)	613	607
	<u>8,426</u>	<u>8,322</u>

### 7. Interest payable and similar charges

	<i>2021</i>	<i>2020</i>
	<i>£000</i>	<i>£000</i>
Interest expense relating to right of use assets	24	27
Interest expenses to group companies	-	2
	<u>24</u>	<u>29</u>

### 8. Interest receivable and similar income

	<i>2021</i>	<i>2020</i>
	<i>£000</i>	<i>£000</i>
Interest on loans to parent undertaking	5	14
	<u>5</u>	<u>14</u>



## Notes to the financial statements (continued)

at 31 December 2021

### 9. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2021 £000	2020 £000
<b>Current tax:</b>		
Adjustments in respect of prior year	(59)	(47)
UK corporation tax on the profit for the year	1,463	994
Total current income tax	<u>1,404</u>	<u>947</u>
<b>Deferred tax:</b>		
Origination / reversal of timing differences	94	24
Total deferred tax	<u>94</u>	<u>24</u>
Tax expense in the profit and loss account (note 9(b))	<u>1,498</u>	<u>971</u>

(b) Factors affecting tax charge for the year

The tax assessed for the year is higher (2020 – higher) than the standard rate of corporation tax in the UK 19% (2020 – 19%). The differences are explained below:

	2021 £000	2020 £000
Profit on ordinary activities before taxation	<u>6,195</u>	<u>4,615</u>
Current tax at 19% (2020: 19%)	<u>1,177</u>	<u>877</u>
<b>Effects of:</b>		
Deferred tax prior year charge	0	0
Tax charge on prior year	(59)	(47)
Group relief not paid for	311	120
Non-deductible expenses	<u>69</u>	<u>21</u>
Total tax charge (note 9(a))	<u>1,498</u>	<u>971</u>

## Notes to the financial statements (continued)

at 31 December 2021

### 9. Tax (continued)

#### (c) Deferred tax

The movements of deferred taxation are as follows:

	2021 £000	2020 £000
Difference between accumulated depreciation and amortisation and capital allowances	94	24
Undiscounted deferred tax liability	94	24

The elements of deferred taxation are as follows:

	2021 £000	2020 £000
Difference between accumulated depreciation and amortisation and capital allowances	94	24
	94	24

#### (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.

A UK corporation tax rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. The legislation to effect these changes was enacted before the balance sheet date and UK deferred tax has accordingly been calculated at 25%.

After the balance sheet date, it was announced that the UK's main rate of corporation tax applicable from 1 April 2023 will increase to 25% from 19%. This change was not substantively enacted at the balance sheet date and hence the impact has not been reflected in the measurement of deferred tax balances at the year end, but it is anticipated that substantive enactment will occur later in the year.

## Notes to the financial statements (continued)

at 31 December 2021

### 10. Intangible fixed assets

*Goodwill*  
*£000*

Cost or valuation:

At 31 December 2021 and 31 December 2020

2,117

### 11. Tangible fixed assets

*Property,  
plant and  
equipment*

*Cost or fair value:*

At 1 December 2020

1,051

Additions

421

Disposals

-

At 31 December 2020

1,472

*Depreciation and impairment:*

At 1 December 2019

1,037

Provided during year

11

Additions

-

Disposals

-

At 31 December 2020

1,048

Carrying amount:

At 31 December 2021

424

At 31 December 2020

14

## Notes to the financial statements (continued)

at 31 December 2021

### 12. Right of use assets

As laid out below and in accordance with IFRS 16 the Company recognises a right of use lease asset of £1,128,000 and current and non-current lease liabilities totalling €1,088,000 within the balance sheet as of 31<sup>st</sup> December 2021:

	<i>Buildings</i>	<i>Vehicles</i>	<i>Total</i>
	<i>€000</i>	<i>€000</i>	<i>€000</i>
<b>Cost</b>			
At 31 <sup>st</sup> December 2020	1,266	578	1,844
Additions	-	424	424
Disposals	(293)	(160)	(453)
<b>At 31<sup>st</sup> December 2021</b>	<b>973</b>	<b>842</b>	<b>1,815</b>
<b>Depreciation</b>			
At 31 <sup>st</sup> December 2020	(331)	(248)	(579)
Charge for the year	(151)	(224)	(375)
Disposals	107	160	267
<b>At 31<sup>st</sup> December 2021</b>	<b>(375)</b>	<b>(312)</b>	<b>(687)</b>
<b>Carrying amount:</b>			
<b>At 31<sup>st</sup> December 2021</b>	<b>598</b>	<b>530</b>	<b>1,128</b>
At 31 <sup>st</sup> December 2020	935	330	1,265
<b>Lease liabilities</b>			
	<i>2021</i>	<i>2020</i>	
	<i>€000</i>	<i>€000</i>	
Current (within one year)	340	316	
Non-current (in the second to fifth years inclusive)	748	772	
Non-current (After five years)	-	155	
	<b>1,088</b>	<b>1,243</b>	

## Notes to the financial statements (continued)

at 31 December 2021

### 13. Debtors

	2021	2020
	£000	£000
Trade debtors	5,163	4,847
Amounts due from group undertakings	14,399	10,622
Prepayment and accrued income	157	192
	<u>19,719</u>	<u>15,661</u>

All amounts are due within one year.

Amounts due from group undertakings include the Company's receivable with the group treasury company, Essity Treasury AB, which represents cash held on deposit (£12,600,000).

### 14. Trade and other payables

	2021	2020
	£000	£000
Amounts owed to third parties	634	436
Amounts owed to group undertakings	3,157	3,975
Accrued expenses	2,357	2,757
	<u>6,148</u>	<u>7,168</u>

Amounts owed to group undertakings include the Company's payable with the group treasury company, Essity Treasury AB, which represents the net cash swept from the cash pool leader account as a participant to the zero-balancing cash pooling arrangement (€202,685).

### 15. Other taxation and social security

	2021	2020
	£000	£000
Income taxes	2,609	2,317
Deferred tax liability (Note 9(c))	265	171
VAT liabilities	471	486
	<u>3,345</u>	<u>2,974</u>

### 16. Issued share capital

	2021	2020
	£000	£000
Authorised		
Equity: 50,000,000 ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>
Allotted, called up and fully paid		
Equity: 1,000,002 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

## Notes to the financial statements (continued)

at 31 December 2021

### 17. Ultimate parent undertaking and controlling party

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

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

For the year ended 31<sup>st</sup> December 2021, 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.