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Registered number: 2296559

B. Braun Medical Limited

Annual report and financial statements

for the year ended 31 December 2019

# B. Braun Medical Limited

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# B. Braun Medical Limited

## Directors and Advisers

### Directors

A Cash

D Oates (Group Managing Director)

P Skelton

P Steel

### Registered office

Brookdale Road

Thornccliffe Park Estate

Chapelton

Sheffield

S35 2PW

The company is registered in England and Wales.

### Independent auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Central Square

29 Wellington Street

Leeds

LS1 4DL

### Bankers

HSBC Bank plc

17 Church Street

Sheffield

S1 1HH

# B. Braun Medical Limited

## **Strategic report for the year ended 31 December 2019**

The directors present their strategic report on the company for the year ended 31 December 2019.

### **Principal activities**

The company's principal activity during the year was the distribution of healthcare products and equipment, and the provision of services to the healthcare sector.

### **Review of the business and future developments**

2019 again saw continued underlying growth from the core business and a significant improvement in operating profitability.

Taking into consideration the comments made in this review, both the level of business and the year end financial position were good. The directors expect that the strength in the core business will lead to continued growth in the 2020 year and for the foreseeable future.

The company supplies goods and services to the healthcare sector and the directors consider that demand is unlikely to decline significantly in the long term despite the current pressures placed upon public sector expenditure. The Coronavirus pandemic which was declared as a public health emergency by the World Health Organisation on 30 January 2020 has increased demand significantly for intravenous therapy products, infusion pumps, hand hygiene and other products. There will be some offset arising from the cancellation of elective surgeries but overall the directors believe that the forecast for sales and profitability remains realistic and achievable.

During 2019 an extension to the Compounding Aseptic Production Service facility was formally opened by Anna Maria Braun, Chief Executive Officer of our parent company B. Braun Melsungen AG. The company also celebrated 20 years at its Thorncliffe Park campus.

### **Section 172 (1) (a) to (f) of the Companies Act 2006**

The directors are committed to promoting the long-term success of the company whilst having regard to employees, customers, suppliers, the environment and the local community. They seek to do this by meeting monthly and inviting input from the sales and marketing, human resources and business operations heads of department, and other key stakeholders (internal and external) when it is appropriate to do so. The inclusion of non-executive directors ensures that the board maintains a broader perspective. An executive committee also meets monthly and includes representation from other heads of key departments including legal, regulatory affairs, supply chain and finance. A supervisory board meets bi-annually and comprises representatives from both the board of B. Braun Medical Limited, and the ultimate parent company and shareholders in Germany. The company benefits from the availability of Group finance when it requires it. Consequently when the parent company requested a dividend payment in February 2020 the directors approved the request. Recognising that our employees are our greatest asset, an employee forum comprising elected staff representatives meets quarterly with management to discuss a range of topics including company performance, employee welfare, fundraising ideas and initiatives to support the local community.

## B. Braun Medical Limited

### **Strategic report for the year ended 31 December 2019 (continued)**

#### **Section 172 (1) (a) to (f) of the Companies Act 2006 (continued)**

A detailed employee survey was conducted in 2017, entitled “Have Your Say”, which included a campaign to encourage every employee to participate. This resulted in a number of initiatives with a specific board sponsor allocated to them, including a two year project to develop standardised pay frameworks across the business and a strategy to address the current gender pay gap. The initial results and actions were announced to the staff during the year. Two members of staff celebrated 40 years of service, and two members of staff celebrated 50 years of service in 2019.

The NHS is our biggest customer and the new NHS Supply Chain operating model will result in changes to the way that we operate in the future and the directors have been addressing the strategic demands of how we can continue to offer excellent products and services at every level for this model. The directors sought to ensure that our commercial and customer care teams have been involved from an early stage in the development with input to the new procurement towers which have been created.

The majority of the products that we sell are produced by other companies in the B. Braun Group. Innovation is a key part of our continued success in the healthcare market and the directors have tasked specific product specialists to provide input into the development of replacement products and upgrades, and identification of potential bottlenecks in the supply chain. Furthermore, the company has engaged during the year with third party suppliers to ensure that compliance requirements including modern slavery and data protection are fully considered in our supplier selections.

As a major local employer with significant growth in employee numbers in recent years our perception in the local community is very important. The company sponsors a number of community initiatives and local sports clubs and encourages healthy lifestyle choices for school children in partnership with the Sheffield Sharks basketball team under the “Be Healthy - B. Braun” campaign which has been running for over a decade and has reached over 500 children in 2019. Local school children are also given the opportunity to demonstrate their skills with displays during half time at the Sharks home basketball games. The company also collaborates with the Cathedral Archer Project which provides support for homeless people in the centre of Sheffield with volunteers assisting in the kitchens during the autumn months.

A list of environmental standards and ISOs that the company has achieved are listed on the B.Braun.co.uk website.

The B. Braun mission is to “Protect and Improve the Health of People around the World”.

The company’s major customer is the NHS and the directors were actively engaged during the year exploring new ways of collaborating with the many Trusts that we conduct business with. During the past twelve months the company has worked at developing strategic partnerships and patient pathway models. This included collaborating with Calderdale & Huddersfield Foundation Trust in the development of their Digital Day Case Knee Pathway which was a highly commended finalist in the Digitising Patient Services Initiative category of the HSJ awards in 2019.

## B. Braun Medical Limited

### **Strategic report for the year ended 31 December 2019 (continued)**

#### **Section 172 (1) (a) to (f) of the Companies Act 2006 (continued)**

The majority of the products that we sell are sourced from other Group companies. During 2019, close engagement was required with both B. Braun production facilities and the Department of Health to mitigate the risks associated with a No Deal Brexit, especially the threat of disruption to the supply of essential goods to the UK market.

The health care industry is heavily regulated and the company also has its own compliance committee which has delegated authority to ensure that the company operates at all times within relevant laws and regulations, including monitoring its environmental obligations.

#### **Principal risks and uncertainties**

The major customer is the NHS and the directors consider that the effects of NHS initiatives on market pricing will continue to offer challenges. Furthermore, the directors have given due consideration to the levels of funding available to the NHS in the medium term. In the short term COVID-19 has resulted in a significant increase in orders and the Government has given assurances that payments to suppliers should not be disrupted. Future pension shortfalls also represent an area of uncertainty for the business. The company is currently paying deficit contributions into a closed defined benefit pension scheme (see Note 25). Increased costs arising from Brexit such as currency devaluation and anticipated increased administration on imports have introduced new challenges. The directors continue to ensure that these factors are taken into account when planning in order to manage and mitigate the risks as efficiently as possible.

In relation to the uncertainties surrounding the COVID-19 pandemic the company has assessed its primary risk to be the availability of products to supply into the United Kingdom healthcare market. In response, the company in consultation with the global B. Braun group has taken a number of steps to mitigate this risk as far as possible. These steps include the release of Brexit contingency stock held at 31 December 2019 into the UK market.

# B. Braun Medical Limited

## **Strategic report for the year ended 31 December 2019 (continued)**

### **Key performance indicators**

The company uses key performance indicators to monitor current performance compared to agreed targets. The following observations have been made for the year ended 31 December 2019 compared to the year ended 31 December 2018. Gross profit as a percentage of sales revenue decreased by 0.1% compared to the previous year (2018: increased by 0.7%). Sales revenue per head increased by £11,800 (2018: decreased by £15,300). Operating Profit as a percentage of sales increased by 0.5% compared to the prior year (2018: increased by 1.6%). Supply chain costs as a percentage of sales remained static at 5% (2018: remained static at 5%). Generally this is in line with the directors' current expectation. The company achieved the Investors In People Gold award during 2012, and was awarded Investors in People Champion status in 2013. In 2018, the organisation was awarded the Investors In People Gold award following its re-accreditation under the new standard.

On behalf of the Board



D Oates  
Director  
24 April 2020

# B. Braun Medical Limited

## Directors' report for the year ended 31 December 2019

The directors present their report and the audited financial statements of the company for the year ended 31 December 2019.

### Future developments

As already discussed in the Strategic Report, during 2020 the company intends to continue to diversify and expand its product and service offering whilst maintaining its existing focus on efficiency gains and profitability improvement. The company has already developed new and innovative ways of working using the foundations of innovation, efficiency and sustainability in response to the COVID-19 pandemic and will continue to build on this.

### Results and dividends

The income statement for the year is set out on page 13. The directors have approved and paid a final dividend of £6,000,000 in February 2020 following a request from the parent company and having considered the company's cash flow requirements for the coming year (2018: £6,000,000 paid in February 2019).

### Charitable donations

The charitable contributions made by the company during the year amounted to £2,879 (2018: £8,425). There were no political contributions (2018: £nil). The purpose of all charitable donations made during the year was the improvement of welfare in the wider community.

### Financial risk management

The company's operations expose it to a variety of financial risks including:

#### *Price risk*

The company is exposed to NHS initiatives on market pricing as a result of its operations. The level of exposure to this risk is monitored by the directors on an ongoing basis.

#### *Credit risk*

The company has implemented policies that require appropriate approval for potential customers before sales are made. Credit limits are set accordingly and are reviewed on an ongoing basis. Due to the nature of the company's customer base, the exposure to credit risk is considered to be low.

#### *Liquidity risk*

The continued availability of group funding ensures that the company has sufficient funds for operations and planned expansion.

#### *Interest rate cash flow risk*

Due to group financing arrangements in place, the directors do not consider that the company is significantly exposed to risk from fluctuations in interest rates due to the availability of funding within the group and no reliance external funding.



# B. Braun Medical Limited

## Directors' report for the year ended 31 December 2019 (continued)

### Directors

The directors who held office during the year and up to the date of signing the financial statements are given below:

H Hux	(resigned 31 January 2020)
A Cash	
D Oates	(Group Managing Director)
P Skelton	
P Steel	

In accordance with the Articles of Association, none of the directors are required to retire by rotation.

### Employees and Employee Engagement

The company is committed to employment policies which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that 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 a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole. Communication with all employees continues through internal newsletters, briefing groups and electronic communications with the intention of providing employees with information on matters of concern to them as employees, and raising awareness of the financial and the economic factors that affect the company's performance.

During the year the company maintained a structured approach to communicating strategic priorities with its employees. This included discussion from the board and executive committee with a leadership forum which met quarterly. Key decisions and actions were cascaded to employees following these meetings as well as feedback from senior management being provided to the board. A monthly Team Talk publication was circulated to all employees communicating business performance and progress against strategic objectives. The employee forum met four times with the Group Managing Director to discuss business performance, employee welfare and fundraising initiatives.

On behalf of the Board



D Oates  
Director  
24 April 2020

## B. Braun Medical Limited

### **Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

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.

#### **Directors' confirmations**

In the case of each director in office at the date the Directors' Report is approved:

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

On behalf of the Board



D Oates  
Director  
24 April 2020

# B. Braun Medical Limited

## Independent auditors' report to the members of B. Braun Medical Limited

### Report on the audit of the financial statements

#### Opinion

In our opinion, B. Braun Medical Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2019; the income statement, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### Conclusions relating to Going Concern

ISAs (UK) require us to report to you when:

- 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.

## B. Braun Medical Limited

### **Independent auditors' report to the members of B. Braun Medical Limited (continued)**

We have nothing to report in respect of the above matters.

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.

#### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

#### **Strategic Report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

## B. Braun Medical Limited

### Independent auditors' report to the members of B. Braun Medical Limited (continued)

#### Responsibilities for the financial statements and the audit

##### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

##### *Auditors' 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 auditors' 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 FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

##### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Other required reporting

#### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or

## B. Braun Medical Limited

### **Independent auditors' report to the members of B. Braun Medical Limited (continued)**

- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Rachel Greveson (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Leeds  
24 April 2020

## B. Braun Medical Limited

### Income statement for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Revenue	3	164,294	149,882
Cost of sales		(110,956)	(100,881)
Gross profit		53,338	49,001
Operating expenses	4	(43,938)	(41,244)
<b>Operating profit</b>	7	<b>9,400</b>	<b>7,757</b>
Interest receivable and similar income	8	408	398
Interest payable and similar expenses	9	(355)	(170)
<b>Profit before taxation</b>		<b>9,453</b>	<b>7,985</b>
Tax on profit	10	(1,853)	(1,474)
<b>Profit for the financial year</b>		<b>7,600</b>	<b>6,511</b>

All items dealt with in arriving at operating profit above relate to continuing operations.

The accompanying notes to the financial statements, as detailed on pages 17 to 46, form an integral part of these financial statements.

## B. Braun Medical Limited

### Statement of comprehensive income for the year ended 31 December 2019

	2019	2018
	£'000	£'000
Profit for the financial year	7,600	6,511
Actuarial (loss)/gain on pension scheme	(550)	417
Movement on deferred tax relating to pension scheme	93	(71)
<b>Total comprehensive income for the year</b>	<b>7,143</b>	<b>6,857</b>

All items included in total comprehensive income above will not be subsequently reclassified to the income statement.



# B. Braun Medical Limited

## Balance sheet as at 31 December 2019

Registered number: 2296559

	Note	2019 £'000	2018 £'000
<b>Fixed assets</b>			
Intangible assets	11	60	75
Tangible assets	12	19,429	19,462
Right-of-use assets	13	2,556	-
Investments	14	1,400	2,952
		<b>23,445</b>	<b>22,489</b>
<b>Current assets</b>			
Inventories	15	18,571	10,601
Debtors: amounts falling due within one year	16	30,060	28,609
Debtors: amounts falling due after more than one year	16	23,731	23,539
Cash at bank and in hand		218	310
		<b>72,580</b>	<b>63,059</b>
<b>Creditors: amounts falling due within one year</b>	17	<b>(41,662)</b>	<b>(35,275)</b>
<b>Net current assets</b>		<b>30,918</b>	<b>27,784</b>
<b>Total assets less current liabilities</b>		<b>54,363</b>	<b>50,273</b>
<b>Creditors: amounts falling due after more than one year</b>	18	<b>(4,421)</b>	<b>(1,991)</b>
<b>Provision for liabilities</b>	19	<b>(726)</b>	<b>(404)</b>
<b>Net assets excluding pension liability</b>		<b>49,216</b>	<b>47,878</b>
Pension liability	25	(2,549)	(2,584)
<b>Net assets including pension liability</b>		<b>46,667</b>	<b>45,294</b>
<b>Capital and reserves</b>			
Called up share capital	21	10,000	10,000
Retained earnings		36,667	35,294
<b>Total shareholders' funds</b>		<b>46,667</b>	<b>45,294</b>

The financial statements on pages 13 to 46 were approved by the Board of directors on 24 April 2020 and were signed on its behalf by:



P Skelton  
Director

## B. Braun Medical Limited

### Statement of changes in equity for the year ended 31 December 2019

	Called up share capital	Retained earnings	Total shareholders' funds
	£'000	£'000	£'000
At 1 January 2018	10,000	29,437	39,437
Profit for the financial year	-	6,511	6,511
Total comprehensive income	-	346	346
Dividend	-	(1,000)	(1,000)
<b>At 31 December 2018</b>	<b>10,000</b>	<b>35,294</b>	<b>45,294</b>
At 1 January 2019	10,000	35,294	45,294
Profit for the financial year	-	7,600	7,600
Total comprehensive expense	-	(457)	(457)
Dividend	-	(6,000)	(6,000)
Adjustment on adoption of IFRS16	-	230	230
<b>At 31 December 2019</b>	<b>10,000</b>	<b>36,667</b>	<b>46,667</b>

# B. Braun Medical Limited

## Notes to the financial statements for the year ended 31 December 2019

### 1 General information

The company's principal activity is the distribution of healthcare products and equipment, and the provision of services to the healthcare sector.

The company is a private limited company, limited by shares, domiciled and incorporated in the United Kingdom. The address of its registered office is Brookdale Road, Thorncliffe Park Estate, Chapeltown, Sheffield S35 2PW.

### 2 Significant accounting policies

#### Basis of preparation

These financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with United Kingdom Accounting Standards, in particular Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the Companies Act 2006 as applicable to companies using FRS 101. These accounting policies have been consistently applied to all years presented, unless otherwise stated.

In light of the COVID-19 pandemic we have considered the basis of preparation and have concluded that the going concern basis remains appropriate.

FRS 101 sets out a reduced disclosure framework for a qualifying entity that would otherwise apply the recognition, measurement and disclosure requirement of EU-adopted IFRS. The company is a qualifying entity for the purposes of FRS 101. Note 26 provides details of the company's ultimate parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

A summary of the disclosure exemptions adopted for the year ended 31 December 2019 is presented below.

- IFRS 7, "Financial Instruments; Disclosures"
- Paragraph 38 of IAS 1, "Presentation of financial statements" comparative information requirements in respect of:
  - paragraph 73 (e) of IAS 16 Property, plant and equipment
  - paragraph 118 (e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)
- The following paragraphs of IAS 1, "Presentation of financial statements":
  - 10 (d) (statement of cash flows)
  - 16 (statement of compliance with all IFRS)
  - 38 A (requirement for minimum of two primary statements, including cash flow statements)
  - 38 B-D (additional comparative information)
  - 40 A-D (requirements for a third statement of financial position)
  - 111 (cash flow statement information), and
  - 134 – 136 (capital management disclosures)

## B. Braun Medical Limited

### Notes to the financial statements for the year ended 31 December 2019

#### Significant accounting policies (continued)

##### Basis of preparation (continued)

- IAS 7, "statement of cash flow"
- Paragraph 17 of IAS 24 "Related party disclosures" (key management compensation)
- The requirements of IAS 24, "Related party disclosures" to disclose related party transactions entered into between two or more members of a group.
- Paragraph 61 of FRS101 relating to lessor accounting.

The company's shareholders have been notified and have not objected to the use of exemptions.

The company applied IFRS 16 effective from 1 January 2019 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019.

On transition to IFRS 16, the company elected to apply the practical expedient to grandfather the assessment of which contracts are leases. IFRS 16 is only applied to contracts that were previously identified as leases before 1 January 2019, or new contracts entered into since this date

At the transition date, lease liabilities for existing contracts were measured at the present value of remaining lease payments, discounted at an incremental borrowing rate. Right-of-use assets are measured at an amount equal to the lease liability. The company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- A single discount rate is applied to a portfolio of leases with similar characteristics.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with a lease term of less than 12 months, for example short-term vehicle hire.
- Low value assets (those with a value of less than \$5,000) have not been capitalised.

On 1 January 2019, the company recognised right-of-use assets with a total value of £3,060,000. Further disclosure between asset classes is included in Note 13. These leases were all fixed term and fixed payment.

Under IFRS 16, the company is required to assess the classification of a sub-lease with reference to the right-to-use asset associated with the head lease. On transition, the company concluded that sub-lease contracts previously classified as operating leases under IAS 17 should be treated as finance leases under IFRS 16. As a result of this change, a leasing receivable of £2,855,000 was recognised on balance sheet, with a corresponding liability due on the head lease recognised at a value of £2,578,000. The difference of £277,000 (less the corresponding deferred tax) was recognised as a credit to retained earnings.

## B. Braun Medical Limited

### Notes to the financial statements for the year ended 31 December 2019 (continued)

#### 2 Significant accounting policies (continued)

##### Basis of preparation (continued)

##### *Measurement of lease liabilities*

	£'000
Operating lease commitments disclosed at 31 December 2018	6,878
Discounted using incremental borrowing rate at 1 January 2019	5,649
Add: finance leases recognised at 31 December 2018	229
Less: short term leases not recognised	(13)
Less: low value leases not recognised	(227)
<b>Lease liability recognised at 1 January 2019</b>	<b>5,638</b>
Of which are:	
Current leases	2,368
Non-current leases	3,270
	<b>5,638</b>

##### **Revenue**

Revenue represents the fair value of goods supplied and services provided, stated net of discounts, agreed rebate payments and value added tax. Specific criteria are set out below for the company's principal activities.

The principles in IFRS 15 are applied to revenue recognition criteria using the following 5 step model:

1. Identify the contracts with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies its performance obligations

On average the number of days between the satisfaction of the company's performance obligations and receipt of payment is 68 days. The company has assessed its obligation for refunds and returns and has determined that the likelihood of this obligation being material is low. The most likely reason for a return would be if a product was found to be faulty and the company supplies products to the health care market which is highly regulated and consequently failure rates are low. The transaction prices for goods and services are allocated on the basis of customer contractual agreements.

## B. Braun Medical Limited

### Notes to the financial statements for the year ended 31 December 2019 (continued)

#### 2 Significant accounting policies (continued)

##### Revenue (continued)

###### Recognition

###### *Supply of goods*

Under normal circumstances, revenue is recognised upon despatch of healthcare products and equipment. Where consignment stock arrangements are in place, revenue is recognised upon notification by the customer that the product has been withdrawn from consignment or, where relevant, on expiry of a fixed contractual term.

###### *Service provision*

The company also provides a wide and varied range of services to the healthcare sector, which are often distinct to the distribution of healthcare products. These are treated as separate transactions for the purposes of revenue recognition. In all cases, revenue is recognised when services are rendered, and in the case of ongoing service, by reference to the stage of completion in accordance with the contractual agreement.

##### **Foreign currencies**

Monetary assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date or at the agreed contractual rate. Transactions in foreign currency are translated at the prevailing rate at the date of the transaction. All differences on exchange are taken to the income statement.

##### **Intangible assets**

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition. Intangible assets are amortised on a straight line basis over their estimated useful lives. The carrying value of intangible assets is reviewed for impairment each financial year.

Amortisation charges are included within operating expenses. The amortisation rates used for this purpose are:

Customer contracts and software	20% - 25%
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## B. Braun Medical Limited

### Notes to the financial statements for the year ended 31 December 2019 (continued)

#### 2 Significant accounting policies (continued)

##### Tangible assets

Tangible assets are stated at historic purchase cost less accumulated depreciation. The cost of tangible assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of tangible assets, less their estimated residual value, on a straight-line basis over their estimated economic lives. The depreciation rates used for this purpose are:

Freehold buildings	2-4%
Long leasehold	life of lease
Technical equipment and machinery	7%
Computer equipment	20-25%
Office equipment	7%
Demonstration and consignment assets	25%
Assets in the course of construction	Nil
Right-of-use assets	life of lease

Freehold land is not depreciated.

Assets in the course of construction are transferred to the relevant assets categories on completion and depreciation commences at this time.

##### Investments

Investments in subsidiaries are stated in the balance sheet at cost less any provision for impairment.

##### Impairment reviews

Impairment reviews are performed by the directors when there has been an indication of potential impairment. Impairment reviews are based on discounted cash flow forecasts for the tangible assets and investments. The cash flow forecasts assume a growth rate consistent with long term expectations for the business.

##### Leases

The company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated. This continues to be reported under IAS 17. The company provides medical equipment to its customers under a variety of leasing arrangements.

Under the policy applicable before 1 January 2019, the company assessed leases based on transfer of risks and rewards of ownership. Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating lease agreements were charged to the income statement on a straight-line basis over the period of the lease.

## B. Braun Medical Limited

### Notes to the financial statements for the year ended 31 December 2019 (continued)

#### 2 Significant accounting policies (continued)

##### Leases (continued)

From 1 January 2019, under IFRS 16, a right-of-use asset and a corresponding lease liability is recognised at the lease commencement date. The right-of-use asset is initially measured by reference to the present value of the lease payments due over the contractual lease term. These lease payments are discounted using an incremental borrowing rate set on a country-specific basis by the ultimate parent company. The weighted average incremental borrowing rate on adoption was 2.12%. The right-of-use asset is depreciated on a straight line basis from the commencement date to the end of the lease term. Total payments made in the year against leased assets was £2,809,000.

On transition to IFRS 16, right-of-use assets have been recognised (with a corresponding lease liability) for all existing operating leases based upon the remaining lease term. The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases (those with a lease term of 12 months or less) and leases of low-value assets (which relate primarily to IT equipment). The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

Where the company acts as a lessor, it determines at lease inception where each lease is to be classified as an operating lease, or a finance lease. If substantially all of the risks and rewards of ownership have transferred, the lease is deemed to be a finance lease.

Where assets were leased to a customer under a finance lease, the present value of the lease payments was recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

##### Inventory and work in progress

Inventory and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first in, first out basis and includes transport and handling costs. In the case of manufactured products, cost includes all direct expenditure and an appropriate proportion of production overheads based on the normal level of activity. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

##### Financial assets

###### *Loans and receivables*

Loans and receivables are non-derivative financial assets with determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period which are classified as non-current assets. The company's loans and receivables comprise receivables and cash in the balance sheet.

##### Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost.



## B. Braun Medical Limited

### Notes to the financial statements for the year ended 31 December 2019 (continued)

#### 2 Significant accounting policies (continued)

##### Pensions

The company operates two pension schemes, one of which is closed to new members. The closed scheme is a defined benefit pension scheme, the assets of which are held separately from those of the company in independently administered funds. The scheme was funded by contributions partly from the employees and partly from the company at rates determined by independent actuaries. This scheme is now closed to new members and to future accrual. The scheme is governed by the UK regulatory framework (including the Pensions Act 2004) which is overseen by the Pensions Regulator, and the statutory funding objective is set out in the Statement of Funding Principles. Day to day governance is delegated to the Trustees who are appointed with the consent of the company.

Pension scheme assets are measured using market value, where this market value is bid price for quoted securities. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The increase in the present value of the liabilities of the company's defined benefit pension schemes expected to arise from employee service in the period is charged to operating profit. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in other finance costs. Actuarial gains and losses are recognised in the statement of comprehensive income.

Pension scheme surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet net of related deferred tax.

The other scheme is a defined contribution scheme, which is funded by contributions partly from employees and partly from the company which is administered by Aviva. This scheme ensured that a contribution structure suitable for the company's obligations under the auto-enrolment legislation was available for the staging date of 1 January 2014.

Costs of the defined contribution scheme represents the amounts payable in the year.

Further details are set out in note 25.

The company provides no other post retirement benefits to its employees.

##### Deferred taxation

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at average rates expected to apply when they crystallise based on current tax rates and law. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

##### Provisions

Provisions are recognised when the company has a present obligation as a result of a past event and it is probable that a transfer of economic benefits will be required to settle the obligation, and where a reliable estimate can be made of the amount of the obligation.

## B. Braun Medical Limited

### Notes to the financial statements for the year ended 31 December 2019 (continued)

#### 2 Significant accounting policies (continued)

##### Related party transactions

In accordance with the exemption allowed by IFRS 12 "Disclosures of interests in other entities", transactions with entities that are part of the B. Braun group are not disclosed.

##### Exemption from the obligation to prepare group financial statements and a cash flow statement.

The company is a subsidiary of B. Braun Melsungen AG and the results and cash flows of the company are included in the consolidated financial statements of that company. Accordingly, the company has chosen to take the exemption under the Companies Act 2006 Section 401 from preparing group financial statements and the exemption under FRS 101 paragraph 8 (g) from the obligation to prepare a cash flow statement.

##### Critical accounting estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying value of assets and liabilities which are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis and any revisions to them are recognised in the period in which they are revised.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(a) Useful economic lives of property, plant and equipment

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, economic utilisation and the physical condition of the assets. See note 12 for the carrying values of plant, property and equipment.

(b) Inventory provisioning

The company sells healthcare products and is subject to changing customer demands. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 15 for the net carrying amount of the inventory.

## B. Braun Medical Limited

### Notes to the financial statements for the year ended 31 December 2019 (continued)

#### 2 Significant accounting policies (continued)

##### Critical accounting estimates and assumptions (continued)

(c) Defined benefit pension scheme

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds.

Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 25 for the disclosures relating to the defined benefit pension scheme.

(d) Impairment of investments in subsidiaries

Determining whether the company's investments in subsidiaries have been impaired requires estimations of the investments' values in use. The value in use calculations require the entity to estimate the future cash flows expected to arise from the investments, and also suitable discount rates in order to calculate present values.

##### Post balance sheet event

On 11<sup>th</sup> March 2020 the World Health Organisation declared COVID-19 as a pandemic, having previously declared it as a public health emergency of international concern on 30<sup>th</sup> January 2020. With only a handful of "pneumonia cases of unknown cause" that occurred in Wuhan, Hubei Province, China before 31 December 2019 the directors have concluded that COVID-19 represents a non-adjusting event as at 31 December 2019. As discussed in the Strategic and Directors' Reports, the company supplies products and services to the healthcare sector and is currently experiencing unprecedented demand for many of its products. The directors have considered their original forecasts for 2020 and beyond, and are confident that taking into account the information that is currently available to them, with modest growth experienced in the first quarter (sales growth of 3%) which has accelerated during April and is likely to continue for the foreseeable future, albeit with a different product mix, that the company's profitability will be maintained. The directors have also considered key balances at the date of signing and are confident that the levels of concern that exist for many businesses at the present time are not as relevant for B. Braun Medical Limited.

## B. Braun Medical Limited

### Notes to the financial statements for the year ended 31 December 2019 (continued)

#### 3 Revenue

The company's revenue and operating profit relate to its principal activity.

Revenue is split by geographical segment as follows:

	2019 £'000	2018 £'000
United Kingdom	162,770	148,334
Europe	1,199	1,236
North America	5	9
South America	3	-
Asia Pacific	310	300
Africa & Middle East	7	3
	<b>164,294</b>	<b>149,882</b>

Revenue is split by business segment as follows:

	2019 £'000	2018 £'000
Hospital Care	101,291	88,422
Out Patient Market	27,484	26,839
Aesculap	35,519	34,621
	<b>164,294</b>	<b>149,882</b>

#### 4 Operating expenses

	2019 £'000	2018 £'000
Sales and distribution costs	39,612	37,321
Administrative expenses	4,326	3,923
Operating expenses	<b>43,938</b>	<b>41,244</b>

## B. Braun Medical Limited

### Notes to the financial statements for the year ended 31 December 2019 (continued)

#### 5 Employee information

	2019	2018
	£'000	£'000
Wages and salaries	28,221	25,504
Social security costs	3,466	3,073
Other pension costs (note 25)	2,708	2,275
	34,395	30,852

The average monthly number of persons (including executive directors) employed by the company during the year was:

By activity	2019	2018
	Number	Number
Production	143	115
Sales and administration	522	483
	665	598

## B. Braun Medical Limited

### Notes to the financial statements for the year ended 31 December 2019 (continued)

#### 6 Directors' emoluments

	2019	2018
	£'000	£'000
Aggregate emoluments (excluding pensions)	941	971
Emoluments payable to the highest paid director are as follows:		
	2019	2018
	£'000	£'000
Aggregate emoluments and benefits	288	356
Money purchase pension scheme:		
- Company contributions paid	-	4

Retirement benefits are accruing to one (2018: one) director under a defined benefit scheme and to three under a money purchase scheme (2018: three). Company contributions in respect of directors that are members of the money purchase scheme totalled £48,000 for the year (2018: £53,000).

## B. Braun Medical Limited

### Notes to the financial statements for the year ended 31 December 2019 (continued)

#### 7 Operating profit

	2019	2018
	£'000	£'000
Operating profit is stated after charging/(crediting):		
Profit from the sale of fixed assets	-	(756)
Loss on the sale of investments	99	-
Amortisation/depreciation charge for the year		
- intangible assets	39	41
- tangible assets	2,080	1,871
-right-of-use assets	1,464	-
Auditors' remuneration for:		
- audit	85	78
- taxation services	28	32
- other	-	15
(Reduction)/increase in inventory provision	(259)	262
Inventories recognised as an expense	97,778	90,675
Foreign exchange (gains)/losses	(50)	7
Operating lease expense	-	2,792
Operating lease income	-	(495)

Employee benefit costs in respect of sales, distribution and administrative employees are disclosed within Operating Expenses. Remaining employee benefit costs are disclosed within Cost of Sales.

## B. Braun Medical Limited

### Notes to the financial statements for the year ended 31 December 2019 (continued)

#### 8 Interest receivable and similar income

	2019	2018
	£'000	£'000
Interest receivable on finance leases	59	46
Group interest receivable	349	352
	408	398

#### 9 Interest payable and similar expenses

	2019	2018
	£'000	£'000
Group interest payable	184	71
Other finance cost (note 25)	65	81
Interest expense on leases	106	18
	355	170



# B. Braun Medical Limited

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 10 Tax on profit

	2019	2018
	£'000	£'000
<b>Current tax:</b>		
UK corporation tax on profits of the year	1,645	1,417
Adjustments in respect of prior years	(205)	(68)
<b>Total current tax</b>	<b>1,440</b>	<b>1,349</b>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	296	102
Adjustments in respect of prior years	148	34
Changes in tax rates	(31)	(11)
<b>Total deferred tax (note 20)</b>	<b>413</b>	<b>125</b>
<b>Total tax on profit</b>	<b>1,853</b>	<b>1,474</b>

The tax assessed for the year is higher than (2018: lower than) the standard rate of corporation tax in the UK of 19.0% (2018: 19.0%). The differences are explained below:

	2019	2018
	£'000	£'000
<b>Profit before taxation</b>	<b>9,453</b>	<b>7,985</b>
Profit multiplied by the standard rate of corporation tax in the UK of 19.0% (2018: 19.00%)	1,796	1,517
Effects of:		
Expenses not deductible for tax purposes or exempt	178	145
Income not taxable	(33)	-
Profit on disposal of fixed assets	-	(143)
Changes in tax rates	(31)	(11)
Adjustments in respect of prior years	(57)	(34)
<b>Total tax charge for the year</b>	<b>1,853</b>	<b>1,474</b>

## B. Braun Medical Limited

### Notes to the financial statements for the year ended 31 December 2019 (continued)

#### 10 Tax on profit (continued)

##### Factors affecting current and future tax changes

A reduction to the main rate of UK corporation tax to 17% from 1 April 2020 was substantively enacted prior to the balance sheet date. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

#### 11 Intangible assets

	Customer contracts	Software	Total
	£'000	£'000	£'000
<b>Cost</b>			
At 1 January 2019	321	1,593	1,914
Additions	-	24	24
<b>At 31 December 2019</b>	<b>321</b>	<b>1,617</b>	<b>1,938</b>
<b>Accumulated amortisation</b>			
At 1 January 2019	312	1,527	1,839
Charge for the year	9	30	39
<b>At 31 December 2019</b>	<b>321</b>	<b>1,557</b>	<b>1,878</b>
<b>Net book amount</b>			
<b>At 31 December 2019</b>	<b>-</b>	<b>60</b>	<b>60</b>
At 31 December 2018	9	66	75

## B. Braun Medical Limited

### Notes to the financial statements for the year ended 31 December 2019 (continued)

#### 12 Tangible assets

	Land and buildings						Total
	Freehold	Leasehold improvements	Assets in the course of construction	Technical equipment and machinery	Demonstration and consignment assets	Computer and office equipment	
	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Cost</b>							
At 1 January 2019	13,683	246	5,721	2,217	8,854	3,337	34,058
Additions	314	-	298	45	1,205	229	2,091
Transfers	5,351	-	(5,739)	205	-	183	-
Disposals	-	-	-	-	(865)	-	(865)
<b>At 31 December 2019</b>	<b>19,348</b>	<b>246</b>	<b>280</b>	<b>2,467</b>	<b>9,194</b>	<b>3,749</b>	<b>35,284</b>
<b>Accumulated depreciation</b>							
At 1 January 2019	4,529	106	-	966	6,724	2,271	14,596
Charge for the year	627	16	-	132	1,092	213	2,080
Disposals	-	-	-	-	(821)	-	(821)
<b>At 31 December 2019</b>	<b>5,156</b>	<b>122</b>	<b>-</b>	<b>1,098</b>	<b>6,995</b>	<b>2,484</b>	<b>15,855</b>
<b>Net book amount</b>							
<b>At 31 December 2019</b>	<b>14,192</b>	<b>124</b>	<b>280</b>	<b>1,369</b>	<b>2,199</b>	<b>1,265</b>	<b>19,429</b>
At 31 December 2018	9,154	140	5,721	1,251	2,130	1,066	19,462

At 31 December 2019 the company had capital commitments of £nil (2018: £250,000).

The opening cost and accumulated depreciation of freehold land and buildings and leasehold land and buildings have been restated in order to transfer a disposal in 2018 between these two categories.

## B. Braun Medical Limited

### Notes to the financial statements for the year ended 31 December 2019 (continued)

#### 13 Right-of-use assets

	Land & Buildings	Technical Equipment	Other Equipment	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 1 January 2019	778	66	2,216	3,060
Additions	-	47	913	960
Disposals	-	(10)	(89)	(99)
<b>At 31 December 2019</b>	<b>778</b>	<b>103</b>	<b>3,040</b>	<b>3,921</b>
<b>Accumulated depreciation</b>				
At 1 January 2019	-	-	-	-
Charge for the Year	102	41	1,321	1,464
Disposals	-	(10)	(89)	(99)
<b>At 31 December 2019</b>	<b>102</b>	<b>31</b>	<b>1,232</b>	<b>1,365</b>
<b>Net book amount</b>				
<b>At 31 December 2019</b>	<b>676</b>	<b>72</b>	<b>1,808</b>	<b>2,556</b>
At 31 December 2018	-	-	-	-

# B. Braun Medical Limited

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 14 Investments

	£'000
Cost at 1 January 2019	4,952
Disposal	(1,552)
Accumulated impairment at 1 January and 31 December 2019	(2,000)
<b>Net book amount at 31 December 2019</b>	<b>1,400</b>

The company transferred its investment in 270 Vision Limited at cost to another company within the B. Braun Group during the year.

#### Interest in group undertakings

The company had the following subsidiary undertakings at 31 December 2019:

Name of undertaking	Description of shares held	Proportion of nominal value of issued shares held		Aggregate capital & reserves £'000	(Loss)/profit for the year £'000
		Direct	Indirect		
B. Braun Sterilog Limited	Ordinary	100%	-	(14,258)	(986)
Downs Surgical Limited	Ordinary	100%	-	1,400	-
Aesculap Academia Company Limited	Ordinary	100%	-	-	-
B. Braun Healthcare Limited	Ordinary	73.5%	-	422	-
B. Braun Sterilog (Yorkshire) Limited	Ordinary	-	100%	(1,813)	525
B. Braun Sterilog (Birmingham) Limited	Ordinary	-	100%	(1,163)	1,085

The directors believe that the carrying value of the investments is supported by the underlying net assets of the investments.

All companies are registered and incorporated in England and Wales and have a year end of 31 December. Their registered office address is Brookdale Road, Thorncliffe Park, Sheffield S35 2PW.

B. Braun Sterilog Limited is a holding company for the investments in B. Braun Sterilog (Yorkshire) Limited and B. Braun Sterilog (Birmingham) Limited. Both B. Braun Sterilog (Yorkshire) Limited and B. Braun Sterilog (Birmingham) Limited operate decontamination centres as outsourced facilities for the NHS and other third party companies.

Downs Surgical Limited, Aesculap Academia Company Limited and B. Braun Healthcare Limited are non-trading companies.

## B. Braun Medical Limited

### Notes to the financial statements for the year ended 31 December 2019 (continued)

#### 15 Inventories

	2019	2018
	£'000	£'000
Raw materials and consumables	166	145
Work in progress	81	90
Finished goods and goods for resale	18,324	10,366
	<b>18,571</b>	<b>10,601</b>

Inventories are stated net of a provision of £1,221,000 (2018: £1,482,000).

#### 16 Debtors

	2019	2018
	£'000	£'000
<b>Amounts falling due within one year</b>		
Trade debtors	26,389	24,645
Amounts owed from group undertakings	490	523
Prepayments and accrued income	1,546	1,169
Finance lease receivable	1,329	281
Other debtors	306	1,991
	<b>30,060</b>	<b>28,609</b>

## B. Braun Medical Limited

### Notes to the financial statements for the year ended 31 December 2019 (continued)

#### 16 Debtors (continued)

	2019	2018
	£'000	£'000
<b>Amounts falling due after more than one year</b>		
Finance lease receivable	2,631	596
Loans receivable from group undertakings	20,667	22,466
Deferred tax (note 20)	433	477
	<b>23,731</b>	<b>23,539</b>

Amounts owed from group undertakings are unsecured and have no fixed date of repayment. Interest is received on loans receivable at LIBOR plus 1.00% (2018: LIBOR plus 1.00%).

	2019	2018
	£'000	£'000
Net investment in finance lease receivables comprises:		
Total amounts receivable	4,053	933
Less: Interest allocated to future periods	(93)	(56)
	<b>3,960</b>	<b>877</b>

Amounts received during the year under finance lease contracts amounted to £659,000 (2018: £333,000).

The maturity for the total amounts receivable under finance leases is analysed as follows:

	£'000
Due within one year	1,382
Due within two years	1,137
Due within three years	929
Due within four years	402
Due within five years	157
Due after five years	46
<b>Total</b>	<b>4,053</b>

## B. Braun Medical Limited

### Notes to the financial statements for the year ended 31 December 2019 (continued)

#### 17 Creditors: amounts falling due within one year

	2019	2018
	£'000	£'000
Trade creditors	4,422	4,499
Amounts owed to group undertakings	21,691	17,536
Other taxation and social security payable	5,217	4,760
Accruals and deferred income	7,996	7,728
Lease payable	1,885	60
Corporation tax liability	451	692
	<b>41,662</b>	<b>35,275</b>

Included in amounts owed to group undertakings is an intercompany loan from B. Braun Melsungen AG of £1,939,000. This amount is unsecured and interest is payable at LIBOR plus 1.00% (2018: LIBOR plus 1.00%). The remaining amounts are normal trading balances and no interest is payable.

Of the deferred income balance of £473,000 held as at 31 December 2018, £448,000 has subsequently been recognised as revenue in the year ended 31 December 2019.

#### 18 Creditors: amounts falling due after more than one year

	2019	2018
	£'000	£'000
Amounts owed to group undertakings	1,822	1,822
Lease payable	2,599	169
	<b>4,421</b>	<b>1,991</b>

Amounts owed to group undertakings are unsecured and have no fixed date of repayment. No interest is payable on these liabilities.

#### 19 Provisions for liabilities

Deferred taxation provided in the financial statements is analysed as follows:

	2019	2018
	£'000	£'000
Capital allowances and other timing differences (note 20)	726	404



## B. Braun Medical Limited

### Notes to the financial statements for the year ended 31 December 2019 (continued)

#### 20 Deferred taxation

Deferred taxation provided in the financial statements is analysed as follows:

	2019	2018
	£'000	£'000
<b>Tax effect of timing differences because of:</b>		
Capital allowances in excess of depreciation	706	404
Other timing differences	20	(38)
Deferred tax liability excluding that relating to pension scheme	726	366
Deferred tax asset on the pension scheme	(433)	(439)
<b>Net deferred tax liability/(asset)</b>	<b>293</b>	<b>(73)</b>

The movement in the deferred tax liability is reconciled as follows;

	2019	2018
	£'000	£'000
At 1 January	(73)	(269)
Adjustment in respect of previous years	148	34
Change in tax rates	(31)	(11)
Other timing differences	243	24
Charge to income statement relating to pension scheme	99	78
(Credit)/debit to statement of comprehensive income	(93)	71
<b>Net deferred tax liability at 31 December</b>	<b>293</b>	<b>(73)</b>

## B. Braun Medical Limited

### Notes to the financial statements for the year ended 31 December 2019 (continued)

#### 21 Called up share capital

	Issued and fully paid	
	2019	2018
	£'000	£'000
9,375,000 (2018: 9,375,000) Ordinary shares of £1 each	9,375	9,375
625,000 (2018: 625,000) Ordinary non-voting shares of £1 each	625	625
	<b>10,000</b>	<b>10,000</b>

The ordinary shares and non-voting shares rank pari passu in all respects so that holders of non-voting shares are entitled to notice of and to attend general meetings but have no right to speak or vote at those meetings.

#### 22 Dividends

The directors have approved and paid a final dividend for 2019 of £6,000,000 which was paid in February 2020 (2018: £6,000,000 paid in February 2019). Consequently the £6,000,000 dividend will be recorded in the 2020 financial statements.

#### 23 Contingent liabilities

Contingent liabilities in respect of guarantees given to HMRC for VAT deferment duty amount to £250,000 (2018: £250,000). In the opinion of the directors no loss will arise in connection with these guarantees.

# B. Braun Medical Limited

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 24 Financial commitments

The company leases properties, vehicles and other equipment. The total expense under operating lease contracts in the income statement in 2018 amounted to £2,792,000.

Under IFRS 16, the majority of these contracts were recognised as lease liabilities with a corresponding right-of-use asset. In addition, the following amounts were recognised as an expense in the 2019 income statement:

	£'000
Expenses relating to short term leases	213
Expenses relating to low value assets	203
Interest on lease liabilities	106

At 31 December 2019, future minimum lease payments under non-cancellable lease contracts were as follows:

	2019	2018
	£'000	£'000
Within one year	-	2,649
Within two to five years	-	3,881
After five years	-	348
	-	6,878

### 25 Pension liability

The company operates a defined benefit pension scheme with assets held separately from those of the company in independently administered funds. The scheme provides retirement benefits on the basis of members' final salary. On 1 July 1999, the defined benefit scheme was closed to new members and on 30 September 2007 it was closed to future accrual.

The company also has a defined contribution scheme which is administered by Aviva which met its auto-enrolment obligations from its staging date of 1 January 2014.

The total pension cost for the year was £2,773,000 (2018: £2,356,000). At the year end £nil (2018: £nil) is included in accruals.

#### Defined benefit scheme

A full actuarial valuation was carried out at 31 March 2018 and updated at 31 December 2019 by qualified independent actuaries. The major assumptions used by the actuary as at 31 December 2019 were:

## B. Braun Medical Limited

### Notes to the financial statements for the year ended 31 December 2019 (continued)

#### 25 Pension liability (continued)

	31 December 2019	31 December 2018
Inflation assumption	2.0%	2.0%
Rate of increase in salaries	N/a	N/a
Discount rate	2.0%	2.9%
Rate of increase in pensions in payment	1.8%	2.0%

The mortality assumptions used were as follows:

	2019 Years	2018 Years
Male member aged 65 (current life expectancy) in years	21.0	21.1
Male member aged 40 (life expectancy at age 65) in years	22.8	22.9
Female member aged 65 (current life expectancy) in years	23.8	23.0
Female member aged 40 (life expectancy at age 65) in years	25.8	24.9

## B. Braun Medical Limited

### Notes to the financial statements for the year ended 31 December 2019 (continued)

#### 25 Pension liability (continued)

The assets in the scheme were:

	Value as at 31 December 2019 £'000	Value as at 31 December 2018 £'000
Bonds	6,251	5,324
Cash	188	41
Other	15,090	13,136
	<b>21,529</b>	<b>18,501</b>

During the year the scheme held investments in a fiduciary management arrangement comprising diversified growth funds and fixed interest vehicles. All assets are held in pooled, unquoted investment funds. The investment managers are responsible for ensuring that the plan is not invested in a manner which exposes the plan or entity to unnecessary risks, or subjected to concentration risks. Governance reports and structures are reviewed regularly by the Trustees to monitor this.

The scheme is closed to future accrual however as it is in deficit a recovery plan was agreed on 20 December 2018 whereby the company will contribute £650,000 per annum from 1 January 2019 increasing by 3.0% per annum (the first increase being due from 1 January 2020) in order to eliminate the deficit by July 2024.

Expected benefit payments at 31 December 2019 were as follows:	£
Year 1	556,000
Year 2	562,000
Year 3	569,000
Year 4	576,000
Year 5	582,000
Next 5 years	3,016,000

## B. Braun Medical Limited

### Notes to the financial statements for the year ended 31 December 2019 (continued)

#### 25 Pension liability (continued)

The following amounts at 31 December 2019 were measured in accordance with the requirements of IAS 19 "Employee benefits (amended 2011)":

<b>Pension liability</b>	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Total market value of assets	<b>21,529</b>	18,501
Present value of scheme liabilities	<b>(24,078)</b>	(21,085)
Deficit in the scheme	<b>(2,549)</b>	(2,584)

  

Reconciliation of present value of scheme liabilities	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
At 1 January	<b>21,085</b>	23,435
Interest cost	<b>603</b>	590
Actuarial losses/(gains)	<b>2,949</b>	(1,659)
Benefits paid	<b>(559)</b>	(1,281)
At 31 December	<b>24,078</b>	21,085

#### Guaranteed Minimum Pensions Equalisation

A UK High Court judgement was made on 26 October 2018 in respect of gender equalisation of guaranteed minimum pensions (GMP) for occupational pension schemes. The company has assessed the impact of GMP equalisation and believes that it will not be material relative to the overall liabilities of the scheme based on an independent estimate at the date of this report.

## B. Braun Medical Limited

### Notes to the financial statements for the year ended 31 December 2019 (continued)

#### 25 Pension liability (continued)

##### Sensitivity analysis of scheme liabilities

The sensitivity of the present value of scheme liabilities to changes in the principle assumptions used is set out below:

	Change in assumption	Impact on scheme liabilities
Discount rate	Increase by 1%	Decrease by 15%
Discount rate	Decrease by 1%	Increase by 20%
Inflation rate	Increase by 1%	Increase by 12%
Inflation rate	Decrease by 1%	Decrease by 11%
Mortality	Increase by 1 year	Decrease by 3%
Mortality	Decrease by 1 year	Increase by 3%

Reconciliation of present value of scheme assets	2019	2018
	£'000	£'000
At 1 January	18,501	19,975
Expected return on scheme assets	538	509
Actuarial gains/(losses) on plan assets	2,399	(1,242)
Employer contributions	650	540
Benefits paid from plan	(559)	(1,281)
At 31 December	21,529	18,501

Scheme assets do not include any of the financial assets of B. Braun Medical Limited or any property occupied by B. Braun Medical Limited.

The actual gain on scheme assets in the year was £2,937,000 (2018: loss of £733,000).

## B. Braun Medical Limited

### Notes to the financial statements for the year ended 31 December 2019 (continued)

#### 25 Pension liability (continued)

The following amounts are recognised in the performance statements in the year to 31 December 2019 under the requirements of IAS 19 "Employee benefits (amended 2011)":

	2019	2018
	£'000	£'000
<b>Operating profit</b>		
Current service cost	-	-
<b>Other finance cost</b>		
Expected return on pension scheme assets	(538)	(509)
Interest on pension scheme liabilities	603	590
Net expense	65	81

#### Actuarial gains and losses

The cumulative amount of actuarial losses recognised in the statement of comprehensive income is £4,850,000 (2018: £4,300,000).

#### Actuarial valuation

The defined benefit scheme was closed to new members on 1 July 1999 and closed to future accrual on 30 September 2007. The total contribution expected to be made to the scheme by B. Braun Medical Limited in the year to 31 December 2020 is £670,000 (2019: £650,000).

#### Defined contribution scheme

The cost of contributions to the defined contribution scheme amounted to £2,708,000 (2018: £2,275,000). At the year end £nil (2018: £nil) is included in accruals.

#### 26 Ultimate parent company

The directors regard B. Braun Holding GmbH & Co. KG, a company registered in Germany, as the ultimate parent company and controlling party. According to the register kept by the Company, B. Braun Melsungen AG has a 50% interest in the equity of B. Braun Medical Limited at 31 December 2019 and Aesculap International GmbH, a company registered in Germany, has the remaining 50% interest. Aesculap International GmbH itself is 100% owned by B. Braun Melsungen AG. Copies of the parent's consolidated financial statements may be obtained from Carl Braun Strasse 1, 34212 Melsungen, Germany.

B. Braun SE AG is the smallest and largest group in which these results are consolidated.