

Registered No. 852702

# **Becton, Dickinson U.K. Limited**

## **Report and Financial Statements**

**30 September 2015**



**Directors**

J C Arnold  
J Neat  
M Fairbourn  
D Hopkin

**Auditors**

Ernst & Young LLP  
The Paragon  
Counterslip  
Bristol BS1 6BX

**Bankers**

Citibank NA  
Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 4QS

**Solicitors**

Simmons & Simmons LLP  
CityPoint  
One Ropemaker Street  
London EC2Y 9SS  
United Kingdom

**Registered Office**

The Danby Building  
Edmund Halley Road  
Oxford Science Park  
Oxford OX4 4DQ

## Strategic Report

Registered No. 852702

### Principal activities and review of the business

The company is a wholly owned subsidiary of the Becton Dickinson (BD) group, a global medical technology company engaged principally in the development, manufacture and sale of medical devices, instrument systems and reagents used by healthcare institutions, life science researchers, clinical laboratories, the pharmaceutical industry and the general public.

### Business Segments

During fiscal year 2015, BD's operations consisted of three worldwide business segments: BD Medical, BD Diagnostics and BD Biosciences. Beginning in fiscal year 2015, BD's organizational structure was realigned to better complement its customer-focused solutions strategy and is based on two principal business segments. The composition of the Medical segment remains unchanged and the former Diagnostics and Biosciences segments have been combined into one segment, BD Life Sciences.

#### BD Medical

BD Medical produces a broad array of medical devices that are used in a wide range of healthcare settings. BD Medical's principal product lines include needles, syringes and intravenous catheters for medication delivery (including safety-engineered and auto-disable devices); prefilled IV flush syringes; syringes and pen needles for the injection of insulin and other drugs used in the treatment of diabetes; prefillable drug delivery systems provided to pharmaceutical companies and sold to end-users as drug/device combinations; regional anaesthesia needles and trays; sharps disposal containers; closed-system transfer devices; and generic prefilled injectables. The primary customers served by BD Medical are hospitals and clinics; physicians' office practices; consumers and retail pharmacies; governmental and non-profit public health agencies; pharmaceutical companies; and healthcare workers.

#### BD Diagnostics

BD Diagnostics provides products for the safe collection and transport of diagnostics specimens, as well as instruments and reagent systems to detect a broad range of infectious diseases, healthcare-associated infections ("HAIs") and cancers. BD Diagnostics' principal products include integrated systems for specimen collection; safety-engineered blood collection products and systems; automated blood culturing and tuberculosis culturing systems; molecular testing systems for infectious diseases and women's health; microorganism identification and drug susceptibility systems; liquid-based cytology systems for cervical cancer screening; rapid diagnostic assays; microbiology laboratory automation; and plated media. BD Diagnostics serves hospitals, laboratories and clinics; reference laboratories; blood banks; healthcare workers; public health agencies; physicians' office practices; and industrial and food microbiology laboratories.

#### BD Biosciences

BD Biosciences produces research and clinical tools that facilitate the study of cells, and the components of cells, to gain a better understanding of normal and disease processes. That information is used to aid the discovery and development of new drugs and vaccines, and to improve the diagnosis and management of diseases. BD Biosciences' principal product lines include fluorescence-activated cell sorters and analysers; monoclonal antibodies and kits for performing cell analysis; reagent systems for life science research; diagnostic assays; and cell culture media supplements for biopharmaceutical manufacturing. The primary customers served by BD Biosciences are research and clinical laboratories; academic and government institutions; pharmaceutical and biotechnology companies; hospitals; and blood banks.

## Strategic Report (Continued)

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

To increase revenue growth by focusing on our core products, services and solutions that deliver greater benefits to patients, healthcare workers and researchers;

- To improve operating effectiveness and balance sheet productivity;
- To drive an efficient capital structure and strong shareholder returns.

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

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

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

The financial year 2015 was a solid year for the company. The revenue growth of 2% was driven by sales from prior acquisitions made by Becton Dickinson, our safety products range and volume growth in the manufacturing plant. We have a positive outlook for fiscal 2016 which gives the directors continuing confidence that the strategy is sound. Implementation is both disciplined and effective. The company will continue to implement a strategy of increasing sustainable revenue growth through innovation, complemented by driving operating effectiveness and productivity to accelerate progress.

We invested another £23.6 million in new fixed assets in the company during the year bringing total investment in fixed assets over the last ten years to £150 millions.

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

	2015	2014	Change
	£000	£000	%
Turnover	278,789	272,601	2%
Total operating profit	28,178	31,872	(12%)
Profit after tax	27,877	30,149	(8%)
Average number of employees	827	812	2%

### Principal risks and uncertainties

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

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

## Strategic Report (Continued)

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### Principal risks and uncertainties (continued)

#### *Credit risk*

The company has customers in both the public and private sectors. The public customers do not pose a credit risk so BD's key focus is managing the risks for the private sector customers. The company has a comprehensive credit policy in place that includes credit risk validations, credit limits and regular follow up of amounts due to the company. Furthermore the company has a large private sector customer base of varying size and risk which covers a large geographical area and therefore this minimises the impact should a debtor default on its terms.

#### *Currency risk*

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

#### *Liquidity and cash flow risks*

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

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

#### *Competitive risks*

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

#### *Legislative risks*

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

By order of the Board



.....  
John Neat  
Director



.....  
Date

## Directors Report

Registered No. 852702

The directors present their report and financial statements for the year ended 30 September 2015.

### Results and dividends

The profit for the year, after taxation, is £27,877,000 (2014: profit of £30,149,000). During the year, no dividend was declared to its immediate parent company (2014: Nil).

### Going concern

The financial position of the company and its exposures to financial and liquidity risks are summarised in the strategic report.

The company is expected to generate positive cash flows on its own account for the foreseeable future. The company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

The directors, having assessed the responses of the company's intermediate parent Becton Dickinson Infusion Therapy Systems Inc. to their enquiries and have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the company to continue as a going concern or its ability to continue with the current banking arrangements. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### Research and development

The company does not carry out any substantial research and development activities. Research and development are mainly carried out elsewhere within the Becton Dickinson and Company group.

### Future developments

The company will continue with its management policies in future years which has proven successful in growing the business in recent years. The company expects further growth in sales from continuing operations and expects to continue further investments in the future. The sales will be both in the UK and Europe.

### Directors

The directors who served during the year, and to the date of this report, are as follows:

A Adams resigned as a director on July 9, 2015 and on the same day M Fairbourn was appointed

A Neylon resigned as a director on July 9, 2015 and on the same day J Neat was appointed

J Arnold

J Lundgren resigned on 2 Feb 2015 and on the same day D Hopkin was appointed as a director.

### Events since the balance sheet date

On 17 March 2015 Becton, Dickinson and Company completed its acquisition of CareFusion Corporation for consideration of \$10.1B cash and \$2.1B in Becton, Dickinson's common stock. Total of the stock payment was \$58 a share. This acquisition significantly accelerates Becton, Dickinson and Company's strategy and builds scale and depth in medication management and patient safety solutions. Pursuant to the terms of its previously announced Agreement and Plan of Merger, dated October 5, 2014 upon completion of the acquisition, CareFusion became a wholly-owned subsidiary of Becton, Dickinson and Company.

### Political and charitable contributions

As part of the company's commitment to the communities in which it operates, charitable contributions amounting to £4,848 (2014: £13,666) were made during the year to local charities.

## Directors Report (Continued)

Registered No. 852702

### Disabled employees

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

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

### Employee involvement

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


### Disclosure of information to the auditors

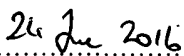
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

### Re-appointment of auditors

In accordance with section 485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditor of the company.

By order of the Board

  
.....  
John Neat  
Director

  
.....  
Date

## Statement of directors' responsibilities

Registered No.852702

The directors are responsible for preparing the Strategic Report, the Director's Report 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). 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 those 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities..



# **Independent auditor's report**

## **to the members of Becton, Dickinson U.K. Limited**

We have audited the financial statements of Becton, Dickinson U.K. Limited for the year ended 30 September 2015 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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

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

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2015 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.

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

In our opinion 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.

# Independent auditor's report

to the members of Becton, Dickinson U.K. Limited (continued)

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

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

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

*Ernst & Young LLP*

Jane Barwell (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor  
Bristol

*28 Jan 2016*

.....  
Date

## Profit and loss account

for the year ended 30 September 2015

Registered No. 852702

		2015	2014
	Notes	£000	£000
<b>Turnover</b> – continuing operations	2	278,789	272,601
Change in stocks of finished goods and work in progress		(712)	220
Raw materials and consumables		187,401	182,813
Staff costs	5	45,998	43,092
Depreciation	3	9,315	8,451
Other operating charges		9,341	6,972
Other operating income		(732)	(819)
		<u>250,611</u>	<u>240,729</u>
<b>Operating Profit</b> – continuing operations	3	28,178	31,872
Interest receivable and similar income	7	118	74
Interest payable and similar charges	8	-	(4)
Net finance income in respect of defined benefit scheme	21	1,560	1,113
		<u>1,678</u>	<u>1,183</u>
<b>Profit on ordinary activities before taxation</b>		29,856	33,055
Tax on profit on ordinary activities	9	(1,979)	(2,906)
		<u>27,877</u>	<u>30,149</u>
<b>Retained profit for the financial year</b>			

## Statement of total recognised gains and losses

for the year ended 30 September 2015

	2015	2014
	£000	£000
<b>Profit for the financial year</b>	27,877	30,149
Actuarial (loss) on defined benefit pension scheme (note 21)	(11,506)	(10,079)
Related deferred tax	2,359	2,217
<b>Total recognised gains and losses relating to the year</b>	<u>18,730</u>	<u>22,287</u>

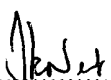
# Balance Sheet

at 30 September 2015

Registered No. 852702

	Notes	2015 £000	2014 £000
<b>Fixed assets</b>			
Tangible assets	10	110,107	96,436
<b>Current assets</b>			
Stocks	11	13,336	14,457
Debtors	12	88,241	76,779
Cash at bank		5,734	4,479
		107,311	95,715
<b>Creditors: amounts falling due within one year</b>	13	43,321	44,187
<b>Net current assets</b>		63,990	51,528
<b>Total assets less current liabilities</b>		174,097	147,964
<b>Provisions for liabilities and charges</b>	14	4,783	3,900
<b>Accruals and deferred income</b>			
Deferred government grants		2,623	1,784
		7,406	5,684
<b>Net assets excluding pension liability</b>		166,691	142,280
Pension liability (net of deferred tax)	21	17,768	10,578
<b>Net assets including pension liability</b>		148,923	131,702
<b>Capital and reserves</b>			
Called up share capital	17	9,800	9,800
Share premium	18	11,364	11,364
Profit and loss account	18	127,759	110,538
<b>Equity shareholder funds</b>	18	148,923	131,702

Approved by the Board

  
 .....  
 John Neat  
 Director

24 June 2016  
 .....  
 Date

## Notes to the Financial Statements

at 30 September 2015

Registered No. 852702

### 1. Accounting policies

#### *Basis of preparation*

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

#### *Cash flow statement*

The company has taken advantage of the exemption granted by FRS 1 (revised) and has not prepared a cash flow statement in the financial statements on the grounds that the company is wholly owned and its ultimate parent company publishes consolidated financial statements including a cash flow statement.

#### *Fixed assets*

All fixed assets are initially recorded at cost.

#### *Depreciation*

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Freehold property	–	2% p.a.
Plant and machinery	–	10 to 20% p.a.
Motor vehicles	–	12.5 to 25% p.a.
Computers	–	25 to 50% p.a.

No depreciation is provided on assets in the course of construction.

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

#### *Stocks*

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

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

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

#### *Turnover*

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

## Notes to the Financial Statements

at 30 September 2015

Registered No. 852702

### 1. Accounting policies (continued)

#### **Government grants**

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate. Grants already received will be released to the profit and loss accounts over the next five years.

#### **Taxation**

The tax charge is based on the results for the year. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

#### **Operating lease agreements**

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

#### **Retirement benefits**

##### *(i) Defined benefit pension scheme*

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

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

## Notes to the Financial Statements

at 30 September 2015

Registered No. 852702

### 1. Accounting policies (continued)

#### *Retirement benefits (continued)*

##### *(i) Defined benefit pension scheme (continued)*

The expected return on the scheme's assets and the increase during the period in the present value of the schemes liabilities arising from the passage of time are included in interest payable. Actuarial gains and losses are recognised in the statement of total recognised gains and losses. Pension scheme surpluses, to the extent that they are considered recoverable, or deficits are recognised on the balance sheet net of related deferred tax, in accordance with the accounting policy for deferred taxation.

##### *(ii) Defined contribution pension scheme*

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

#### *Share-based payments*

The ultimate parent company grants share-based awards under the 2004 plan, which provides for long-term incentive compensation to employees and directors consisting of: stock appreciation rights ('SAR's'), stock options, and restricted stock units.

##### *Equity settled transactions*

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become entitled to the award. Fair value is determined by an external valuer using an appropriate pricing model.

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

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

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

The company has employees who hold SAR's, stock options and restricted stock units granted to them while they were working for another subsidiary of the ultimate parent company. Such employees are classed as 'Multis'. To the extent that the share-based payments have not fully vested a pro-rata cost based on the fair value of such grants as applicable to the company is included in the expense calculations under FRS 20.

## Notes to the Financial Statements

at 30 September 2015

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### 2. Turnover

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

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

An analysis of turnover by geographical market is given below:

	2015 £000	2014 £000
United Kingdom	146,488	140,999
Continental Europe	131,041	130,704
Rest of the world	1,260	898
	<u>278,789</u>	<u>272,601</u>

### 3. Operating profit

This is stated after charging /(crediting)

	2015 £000	2014 £000
Auditors' remuneration – audit of financial statements	156	101
Depreciation of owned fixed assets	9,315	8,451
Loss on disposal of fixed assets	117	183
Exchange loss (gain)	580	(62)
Operating lease rentals – plant and machinery	134	59
– other operating leases	1116	866
Commission income	(528)	(628)
Grant income	(204)	(190)



## Notes to the Financial Statements

at 30 September 2015

Registered No. 852702

### 4. Directors' emoluments

	2015 £000	2014 £000
Emoluments	488	435
Company pension contributions to other group defined benefit pension schemes	-	-
Number of directors accruing benefits under UK employees' defined benefit scheme	1	1
Number of directors accruing benefits under other group defined benefit schemes	-	-
Number of directors who exercised share options	3	3

The amounts in respect of the highest paid director are as follows:

	2015 £000	2014 £000
Emoluments	256	288
Accumulated total accrued pension	65	62

The highest paid director exercised share options during the year and also received shares under the group's long term incentive schemes. The highest paid director was a member of the company's defined benefit scheme.

### 5. Staff costs

	2015 £000	2014 £000
Wages and salaries	39,529	37,238
Social security costs	4,196	3,888
Other pension costs	2,273	1,966
	45,998	43,092

## Notes to the Financial Statements

at 30 September 2015

Registered No. 852702

### 5. Staff costs (continued)

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

	2015 No.	2014 No.
Production	365	366
Selling and administration	462	446
	<u>827</u>	<u>812</u>

Included in wages and salaries is a total expense for share-based payments of £1,246,000 (2014: £1,106,000) all of which arises from transactions accounted for as equity-settled share-based payment transactions.

Included in other pension cost is a charge for £1,472,000 (2014: £1,260,000) in respect of the defined benefit scheme and £801,000 (2014: £706,000) in respect of the defined contribution scheme.

### 6. Share-based compensation

The ultimate parent company grants share-based awards under the 2004 Employee and Director Equity-based compensation plan ("2004 plan"), which provides for long-term incentive compensation to employees and directors consisting of: stock appreciation rights ('SAR's), stock options, and restricted stock units. The ultimate parent company believes such awards align the interest of its employees and directors with those of its shareholders. Prior to the adoption of the 2004 Plan, the Becton Dickinson Group had employee and director stock option plans, which were terminated with respect to future grants effective upon shareholder approval of the 2004 Plan in February 2004. There are still options from these plans outstanding; however, there was no charge to the profit and loss account in respect of these options in either 2015 or 2014.

#### Stock Appreciation Rights (SARs)

Beginning with the annual share-based grant in November 2005, the ultimate parent company granted SARs and discontinued the issuances of stock options. SARs represent the right to receive upon exercise, shares of common stock having a value equal to the difference between the market price of common stock on the date of exercise and the exercise price on the date of grant. SARs vest over a four-year period and have a ten-year term, similar to the previously granted stock options. The fair value was estimated on the date of grant using a lattice-based binomial option valuation model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the years ended 30 September 2015 and 30 September 2014.

	2015	2014
Risk-free interest rate	2.20%	2.90%
Expected volatility	19%	19%
Expected dividend yield	1.78%	2.00%
Expected life	7.6 years	7.8 years

Expected volatility is based upon historical volatility for the ultimate parent company's common stock and other factors. The expected term of SARs granted is derived from the output of the model, using assumed exercise rates based on historical exercise and termination patterns, and represents the period of time that options granted are expected to be outstanding. The risk-free interest rate used is based upon U.S. Treasury yield curve in effect at the time of grant for instruments with a similar life. The dividend yield is based upon the most recently declared quarterly dividend as of the grant date.

No other features of SAR grants were incorporated into the measurement of fair value. The company has

## Notes to the Financial Statements

at 30 September 2015

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### 6. Share-based compensation (continued)

#### *Stock Appreciation Rights (SARs) (continued)*

employees, who hold SARs granted to them while they were working for another Subsidiary of the ultimate parent company. Such employees are classed as 'Multis'. Grants that are outstanding for 'Multis' for the prior years have been shown in the movement schedule. To the extent that the SARs have not fully vested a pro-rata cost based on the fair value of such grants as applicable to the company is included in the expense calculations under FRS 20.

A summary of SARs outstanding as of 30 September 2015 and 30 September 2014 and changes during the year then ended is as follows:

	2015 No.	2015 WAFV	2014 No.	2014 WAFV
Outstanding as at 1 October	122,041	\$18.07	125,525	\$17.96
Granted during the year	6,165	\$24.82	10,673	\$19.90
Movements in multis	(24,312)	\$16.94	1,372	\$16.80
Exercised during the year	(25,276)	\$20.39	(15,529)	\$18.33
Expired during the year	-	-	-	-
Outstanding as at 30 September	<u>78,618</u>	\$16.26	<u>122,041</u>	\$18.07
Exercisable as at 30 September	<u>78,618</u>		<u>122,041</u>	

WAFV – Weighted Average Fair Value

The expense recognised for stock appreciation rights granted to employees for employee services received during the year to 30 September 2015 is £119,000 (2014: £121,000).

#### *Stock options*

All stock option grants are for a ten-year term. Stock options issued after November 2001 vest over a four-year period. Stock options issued prior to November 2001 vested over a three-year period. Stock options granted in 2005 were valued based on grant date fair value of those awards, using a lattice-based binomial option valuation model that used the following weighted-average assumptions:

Risk free interest rate	3.93%
Expected volatility	29%
Expected dividend yield	1.28%
Expected life	6.5 years

Beginning with the annual share-based grant in November 2005, the ultimate parent company granted SARs and discontinued the issuances of stock options.

Expected volatility is based upon historical volatility for the ultimate parent company's common stock and other factors. The expected term of stock options granted is derived from the output of the model, using assumed exercise rates based on historical exercise and termination patterns, and represents the period of time that options granted are expected to be outstanding. The risk-free interest rate used is based upon U.S. Treasury yield curve in effect at the time of grant for instruments with a similar life. The dividend yield is based upon the most recently declared quarterly dividend as of the grant date.

No other features of option grants were incorporated into the measurement of fair value. The company has employees, who hold stock options granted to them while they were working for another Subsidiary of the ultimate parent company. Such employees are classed as 'Multis'. Grants that are outstanding for 'Multis' for the prior years have been shown in the movement schedule. To the extent that the options have not

## Notes to the Financial Statements

at 30 September 2015

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fully vested a pro-rata cost based on the fair value of such grants as applicable to the company is included in the expense calculations under FRS 20.

### 6. Share-based compensation (continued)

#### *Stock options (continued)*

A summary of stock options outstanding as of 30 September 2015 and 30 September 2014 and changes during the year then ended is as follows:

	2015 No.	2015 WAEP	2014 No.	2014 WAEP
Outstanding as at 1 October	2,929	\$54.41	14,100	\$44.78
Movement in multis	(764)	\$54.41	(150)	\$38.78
Exercised	(2,165)	\$54.41	(10,583)	\$42.44
Expired during the year	-		(438)	\$38.78
Outstanding as at 30 September	-		2,929	\$54.41
Exercisable as at 30 September	-		2,929	\$54.41

The weighted average share price at the date of exercise for the options exercised is \$127.22 (2014: \$109.45).

The expense recognised for stock options granted to employees for employee services received during the year to 30 September 2015 is Nil (2014: Nil).

#### *Restricted Stock Units (RSUs)*

The ultimate parent company also grants time vested and performance-based RSUs which generally vest 3 years after the grant date.

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

No other features of RSU grants were incorporated into the measurement of fair value. The company has employees, who hold RSUs granted to them while they were working for another subsidiary of the ultimate parent company. Such employees are classed as 'Multis'. Grants that are outstanding for 'Multis' for the prior years have been shown in the movement schedule. To the extent that the RSUs have not fully vested a pro-rata cost based on the fair value of such grants as applicable to the company is included in the expense calculations under FRS 20.

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

## Notes to the Financial Statements

at 30 September 2015

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### 6. Share-based compensation (continued)

*Restricted Stock Units (RSUs) (continued)*

A summary of RSUs outstanding as of 30 September 2015 and changes during the year then ended is as follows:

	2015 No.	2015 WAFV	2014 No.	2014 WAFV
Outstanding as at 1 October	47,737	\$84.77	47,600	\$74.37
Granted during the year	13,272	\$134.73	15,294	\$108.89
Movements in multis	(3,542)	\$90.80	750	\$72.26
Expired during year	(36)	134.73	(88)	\$72.12
Forfeited	(2,782)	\$97.22	(2,103)	\$75.15
Exercised	(16,783)	\$76.12	(13,716)	\$73.21
Outstanding as at 30 September	<u>37,966</u>	<u>\$10.34</u>	<u>47,737</u>	<u>\$84.77</u>

WAFV – Weighted Average Fair Value

The expense recognised for RSUs granted to employees for employee services received during the year to 30 September 2015 is £1,127,000 (2014: £985,000).

### 7. Interest receivable

	2015 £000	2014 £000
Interest receivable from group undertakings	118	74
Bank interest receivable	-	-
	<u>118</u>	<u>74</u>

### 8. Interest payable and similar charges

	2015 £000	2014 £000
Bank interest	-	4
	<u>-</u>	<u>4</u>

## Notes to the Financial Statements

at 30 September 2015

Registered No. 852702

### 9. Tax

#### (a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2015	2014
	£000	£000
<i>Current tax:</i>		
UK corporation tax	708	1,424
Overseas corporation tax	106	187
Tax over provided in previous years	(326)	(291)
Total current tax (note 9(b))	488	1,320
<i>Deferred tax:</i>		
Origination and reversal of timing differences – current year	1,234	983
– prior year	257	603
Total deferred tax (note 9(c))	1,491	1,586
Tax on profits on ordinary activities	1,979	2,906

#### (b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 20.5% (2014: 22%). The differences are reconciled below:

	2015	2014
	£000	£000
Profit on ordinary activities before tax	29,856	33,055
Profit on ordinary activities multiplied by the effective rate of corporation tax in the United Kingdom of 20.5% (2014: 22%)	6,120	7,272
<i>Effects of:</i>		
Disallowed expenses	33	35
Permanent difference / non taxable income	6	148
Share-based payments	(309)	(233)
Depreciation lower than capital allowances	(699)	(487)
Group relief from group undertakings	(3,790)	(4,465)
Foreign tax rate lower than UK rate	(68)	(143)
Timing differences relating to pension	(479)	(516)
Adjustment in respect of previous years	(326)	(291)
Total current tax (note 9(a))	488	1,320

## Notes to the Financial Statements

at 30 September 2015

Registered No. 852702

### 9. Tax (continued)

#### (c) Deferred tax

The deferred tax assets / (liabilities) included in the balance sheet are as follows:

	2015 £000	2014 £000
Accelerated capital allowances	(4,461)	(3,547)
Other timing differences	478	497
Included in provisions (note 14)	(3,983)	(3,050)
FRS 17 pension asset (note 21 – netted against pension liability)	4,442	2,645
	459	(405)
		£000
At 1 October 2014		(405)
Profit and loss account movement arising during the year		(1,491)
Statement of total recognised gains and losses		2,355
At 30 September 2015		459

The deferred tax credited to the statement of total recognised gains and losses relates to the deferred tax on the net actuarial loss during the year on the defined benefit pension scheme.

Finance Act 2013, which was enacted on 17 July 2013, includes legislation reducing the main UK corporation tax rate from 23% to 21%, effective from 1 April 2014 and to 20% effective from 1 April 2015.

The financial statements reflect these changes and the deferred tax balances have been measured at 20%.

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 on 26 October 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. As the changes had not been substantively enacted at the balance sheet date, their effects are not included in these financial statements. The overall effect of these changes, if they had applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax asset by an additional £23,000 and reduce the tax expense for the period by £23,000.

## Notes to the Financial Statements

at 30 September 2015

Registered No. 852702

### 10. Tangible fixed assets

	<i>Freehold property</i>	<i>Fixtures, fittings, plant and equipment</i>	<i>Assets in the course of construction</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>Cost:</i>				
At 1 October 2014	55,005	101,111	20,079	176,195
Additions	-	3,070	20,532	23,602
Disposals	(570)	(2,078)	(18)	(2,666)
Transfers	2,137	17,706	(19,843)	-
At 30 September 2015	<u>56,572</u>	<u>119,809</u>	<u>20,750</u>	<u>197,131</u>
<i>Depreciation:</i>				
At 1 October 2014	23,826	55,933	-	79,759
Provided during the year	1,991	7,324	-	9,315
Disposals	(550)	(1,500)	-	(2,050)
At 30 September 2015	<u>25,267</u>	<u>61,757</u>	<u>-</u>	<u>87,024</u>
<i>Net book value:</i>				
At 30 September 2015	<u>31,305</u>	<u>58,052</u>	<u>20,750</u>	<u>110,107</u>
At 1 October 2014	<u>31,179</u>	<u>45,178</u>	<u>20,079</u>	<u>96,436</u>

Included in freehold land and buildings is land at £569,000 (2013: £569,000) which is not depreciated.

### 11. Stocks

	<i>2015 £000</i>	<i>2014 £000</i>
Raw materials	7,336	9,169
Work in progress	3,995	4,645
Finished goods	<u>2,005</u>	<u>643</u>
	<u>13,336</u>	<u>14,457</u>



## Notes to the Financial Statements

at 30 September 2015

Registered No. 852702

### 12. Debtors

	2015 £000	2014 £000
Trade debtors	28,420	26,243
Amounts owed by group undertakings	41,359	35,610
Corporation tax	395	751
Other debtors	12,782	9,743
Prepayments and accrued income	5,285	4,432
	<u>88,241</u>	<u>76,779</u>

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

	2015 £000	2014 £000
Trade creditors	16,945	16,178
Amounts owed to group undertakings	5,389	6,118
Other taxation and social security	7,346	7,628
Other creditors	6,465	7,455
Accruals and deferred income	7,176	6,808
	<u>43,321</u>	<u>44,187</u>

### 14. Provisions for liabilities and charges

	National Insurance on share options £000	Deferred tax £000	Total £000
At 1 October 2014	850	3,050	3,900
Usage during the year	-	-	-
Reversal during the year	(109)	-	(109)
Addition to provision during the year	59	933	992
At 30 September 2015	<u>800</u>	<u>3,983</u>	<u>4,783</u>

#### National Insurance contributions on share options

Provision has been made for National Insurance contributions on share options and other share-based payments granted since 27 January 1997 under unapproved share option schemes, which are expected to be exercised. The provision has been calculated based on the difference between the year end share price of \$132.66 and the exercise price and is being allocated over the period from the date of grant to the date the employee will become unconditionally entitled to the options. It is expected that the costs will be incurred during the exercise period which ends on 21 November 2016.

## Notes to the financial statements

at 30 September 2015

### 15. Commitments under operating leases

At 30 September 2015 the company had annual commitments under non-cancellable operating leases as set out below.

	<i>Other</i>	
	<i>2015</i>	<i>2014</i>
	<i>£000</i>	<i>£000</i>
<i>Operating leases which expire:</i>		
Within one year	187	219
In two to five years	584	575
	<u>771</u>	<u>794</u>

### 16. Related party transactions

The company has taken advantage of the exemption granted by FRS 8 and has not disclosed transactions with other wholly owned BD group companies.

### 17. Share capital

	<i>2015</i>		<i>2014</i>	
	<i>£000</i>		<i>£000</i>	
<i>Authorised</i>				
Ordinary shares of £1 each		<u>23,600</u>		<u>23,600</u>
	<i>2015</i>		<i>2014</i>	
	<i>No.</i>	<i>£000</i>	<i>No.</i>	<i>£000</i>
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	9,800,102	<u>9,800</u>	9,800,102	<u>9,800</u>

## Notes to the financial statements

at 30 September 2015

### 18. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital</i>	<i>Share premium</i>	<i>Profit and loss account</i>	<i>Total share- holders funds 30 September 2015</i>	<i>Total share- holders funds 1 October 2014</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Opening shareholders' funds	9,800	11,364	110,538	131,702	110,475
Profit for the year			27,877	27,877	30,149
Reserve debit for share based plans	-	-	(1,509)	(1,509)	(1,060)
Actuarial (loss) on Defined benefit pension scheme	-	-	(11,506)	(11,506)	(10,079)
Related deferred tax	-	-	2,359	2,359	2,217
Closing shareholders' funds	9,800	11,364	127,759	148,923	131,702

### 19. Dividends

No dividends were declared during the year to its immediate parent company B-D U.K. Holdings Limited. (2014: Nil)

### 20. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £4,548,000 (2014: £8,573,000).

### 21. Pension commitments

The company operates a defined contribution pension scheme, "The Becton Dickinson Group Stakeholder Pension Scheme", for its employees. The assets of the scheme are held separately from those of the company in an independently administered fund. There were no unpaid contributions outstanding at the year end, (2014: £158,000).

The company also operates a funded group defined benefit pension scheme, "The Becton Dickinson Pension Scheme for UK Employees" for eligible employees. Contributions are paid to a separately administrated fund and are based on charges across all companies participating within the scheme. A full triennial actuarial valuation was last carried out as at 31 December 2012 by a qualified independent actuary William M Mercer Limited. The valuation showed a deficit of £4,600,000 for the scheme as a whole at the valuation date based on assumptions made for calculating its technical provisions.

In order to eliminate the deficit, the participating employers made an annual special contribution of £1.3m from September 2014 and they will continue to make this contribution until September 2017. The participating employer contribution rates will remain 21.2% of pensionable salaries.

## Notes to the financial statements

at 30 September 2015

### 21. Pension commitments (continued)

The total contributions by all participating employers to the defined benefit scheme in the financial year 2016 are expected to be £2,897,000 for the group (2015: £2,998,000).

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

	2015	2014	2013
	<i>Company</i>	<i>Company</i>	<i>Company</i>
	<i>share of the</i>	<i>share of the</i>	<i>share of the</i>
	<i>scheme value</i>	<i>scheme value</i>	<i>scheme value</i>
	£000	£000	£000
Equities	46,227	48,144	45,048
Bonds	31,803	29,896	26,769
Property	5,666	4,929	4,088
Others	20,752	20,201	19,548
Company share of the total market value of assets	104,448	103,170	95,453
Present value of company share of scheme liabilities	(126,658)	(116,393)	(100,941)
Pension liability before deferred tax	(22,210)	(13,223)	(5,488)
Related deferred tax asset	4,442	2,645	1,098
Net pension liability	(17,768)	(10,578)	(4,390)

	2015	2014
	£000	£000
<b>Analysis of the amount charged to operating profit</b>		
Current service cost	1,472	1,260
Past service income	-	-
Total operating charge	1,472	1,260
<b>Analysis of the amount charged to other finance cost</b>		
Expected return on pension scheme assets	6,219	5,578
Interest on pension scheme liabilities	(4,659)	(4,465)
Total other finance income	1,560	1,113

#### Analysis of the amount recognised in statement of total recognised gains and losses

	2015	2014
	£000	£000
Actual return less expected return on pension scheme assets	(3,166)	2,102
Changes in assumptions underlying the present value of scheme liabilities	(9,019)	(12,936)
Experience loss arising on scheme liabilities	679	755
Actuarial loss	(11,506)	(10,079)

## Notes to the financial statements

at 30 September 2015

### 21. Pension commitments (continued)

#### Main assumptions:

	2015	2014
	%	%
Rate of increase in salaries	1.0	1.0
Rate of increase in pensions in payment	3.0	3.0
Discount rate	3.75	4.05
Expected rates of return on scheme assets		
Equities	7.2	7.5
Bonds	3.2	3.6
Properties	5.8	6.1
Inflation assumption	2.40	2.25
Post retirement mortality		
Current pensioners at 65 – male	23	23
Current pensioners at 65 – female	24	24
Future pensioners at 65 – male	25	25
Future pensioners at 65 – female	26	26

The post-retirement mortality assumptions allow for expected increases in longevity. The “current” disclosures above relate to assumptions based on longevity (in years) following retirement at the balance sheet date, with “future” being that relating to an employee retiring in 2034.

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

	2015	2014
	£000	£000
Benefit obligation at the beginning of the year	116,393	100,941
Current service cost	1,472	1,260
Interest cost	4,659	4,465
Plan participants' contributions	318	334
Actuarial loss	8,340	12,181
Benefits paid	(4,524)	(2,788)
Plan change/past service cost	-	-
Benefit obligation at the end of the year	<u>126,658</u>	<u>116,393</u>

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

	2015	2014
	£000	£000
Fair value of plan assets at the beginning of the year	103,170	95,453
Expected return on plan assets	6,219	5,578
Actuarial gain	(3,166)	2,102
Employer contribution	2,431	2,491
Member contributions	318	334
Benefits paid	(4,524)	(2,788)
Fair value of plan assets at the end of the year	<u>104,448</u>	<u>103,170</u>

## Notes to the financial statements

at 30 September 2015

### 21. Pension commitments (continued)

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

	2015 £000	2014 £000	2013 £000	2012 £000	2011 £000
Fair value of scheme assets	104,448	103,170	95,453	84,405	64,878
Present value of defined benefit obligation	126,658	116,393	100,941	103,497	69,312
Deficit in the scheme	<u>(22,210)</u>	<u>(13,223)</u>	<u>(5,488)</u>	<u>(19,092)</u>	<u>(4,434)</u>
Experience adjustments arising on plan liabilities	679	755	(995)	(1,220)	-
Experience adjustments arising on plan assets	-	-	-	-	(18,545)

### 22. Ultimate parent company and controlling party

The company's immediate parent undertaking is B-D U.K. Holdings Limited, incorporated in England & Wales.

In the directors' opinion, the company's ultimate parent undertaking and controlling party is Becton Dickinson and Company, which is incorporated in the United States of America. Copies of its group financial statements, which include the company, are available from 1 Becton Drive, Franklin Lakes, NJ 07417-1880.