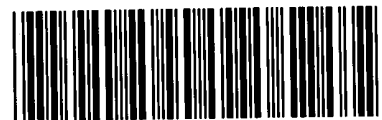


Registered number: 00968166

3M Health Care Limited
Annual report
for the year ended 31 December 2016

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3M Health Care Limited

Annual report for the year ended 31 December 2016

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3M Health Care Limited

Strategic report for the year ended 31 December 2016

The directors of 3M Health Care present their strategic report on the company for the year ended 31 December 2016.

Review of the business

Principle Activity

3M Health Care Limited has historically manufactured, procured and marketed products that served markets that include medical clinics and hospitals, pharmaceuticals, dental and orthodontic practitioners, and health information systems.

With effect from 1st January 2016 the nature of the business of the Company substantially changed as a result of business reorganisation within the UK group of 3M companies and the company had previously entered into a License Support and Manufacturing Services Agreement with 3M United Kingdom PLC which came into effect on that date. From that date 3M Health Care Limited continues to hold and perform the responsibilities associated with various manufacturing, other licenses and marketing authorisations it holds in respect of various pharmaceutical products and contracts with its immediate parent company, 3M United Kingdom PLC, who have all the relevant resources to provide these on the company's behalf. In turn, 3M United Kingdom PLC appointed the company to process materials supplied by 3M United Kingdom PLC to manufacture various pharmaceutical products in accordance with 3M United Kingdom PLC's requirements.

The income to the Company is generated from a Service Fee charged to 3M United Kingdom PLC calculated as a percentage of the cost of the products produced for 3M United Kingdom PLC in the accounting Period. The costs to the company represent the Processing Fee paid to 3M United Kingdom PLC in respect of delivering the reciprocal services necessary to enable the company to have produced the same products. services

Income derived from the License Support and Manufacturing Services Agreement is categorised internally as License Fee Income while historically products and services provided were internally categorised and managed as "Drug Delivery Systems" ("DDSD"), "Medical" (comprising of skin and wound products, infection prevention products, food safety products and health information systems), "Oral Care" (comprising of dental and orthodontic products), and "Other Markets".

Performance of the Business

The fundamental change in the nature of the business transacted through the company makes comparisons with previous years meaningless. Total Revenue decreased from £188,988,000 to £2,837,000 as a reflection of this. All these sales were derived from Service Fees (2015: nil).

Operating Expenses which are significantly reduced due to change in the business model saw a significant decrease to 0.4% (2015: 11.4%)

The company's Operating Profit for the financial year was £15,000 (2015: £17.6 m) with Profit after tax for the financial year of £15,000 (2015: £14.4m).

During 2016 £100,000,000 of dividends (2015: £nil) were paid.

Business restructuring

On 20 April 2015 the company had commenced consultations with its employees with regards to the potential transfer of the business, including its assets and employees from 3M Health Care Limited to 3M United Kingdom PLC, its immediate parent company. The business transfer was successfully implemented on 1 January 2016.

Position of the business

Following the business reorganisation the directors of the company are of the opinion that the Balance Sheet is in good financial shape and more than robust enough to satisfy the ongoing needs of the business As at 31 December 2016 the net assets of the company are £216.3m(2015: £316.2m). The company is confident that with the existing net asset position it will be able to meet liabilities as they fall due.

3M Health Care Limited

Strategic report for the year ended 31 December 2016 (continued)

Key Performance Indicators

Following the transfer of the business to 3M UK Public Limited Company the directors consider that key performance indicators are no longer relevant for the understanding of the company accounts.

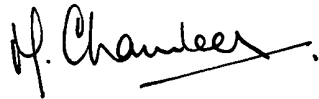
Outlook

With the transfer of the business to 3M United Kingdom PLC on 1 January 2016, the Company's future income stream is now entirely from the fees paid under the License Support and Manufacturing Services Agreement paid by 3M United Kingdom Plc. The directors will fully cooperate with 3M United Kingdom PLC to ensure it maximises the business transferred and the opportunities that arise from providing a more common access platform to the wider range of 3M products and services.

Principal risks and uncertainties

The directors of the company manage the group's risks at a group level, rather than an individual business unit level. Group being defined as 3M Company, with the main Head Office based in Minneapolis, USA. For this reason, the company's directors believe that a discussion of the group's risks would not be appropriate for an understanding of the development, performance or position of the business.

On behalf of the board



M Chambers

Director

13 September 2017

3M Health Care Limited

Directors' report for the year ended 31 December 2016

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2016.

Future developments

Details of future plans for the company are included in the Strategic Report.

Financial risk management

In order to ensure stability of cash outflows and hence manage interest rate risk, the Company has a policy of obtaining any necessary funding from within the 3M group and interest is chargeable at the LIBOR rate.

Dividends

A dividend of £100,000,000 was paid during the year (2015: £nil). No final dividend (2015: £nil) is proposed.

Directors

The directors of the company at 31 December 2016, all of whom have been directors for the year ended on that date and up to the date of signing the financial statements unless otherwise stated, are listed below:

M Chambers
M Dawson (resigned 1 February 2017)
P Williams
C Byrne (resigned 30 November 2016)
C Gruen (resigned 31 July 2017)
I Malik (appointed 1 August 2017)
D Ashley (appointed 1 August 2017)

Directors' indemnities

The Company maintains liability insurance for its directors and officers in accordance with the Articles of the Company. The Company has also provided an indemnity for its directors and the secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006. This was in force during the financial year and also at the date of approval of the financial statements.

Charitable contributions

Charitable contributions paid during the year amounted to £nil (2015: £38,862).

The purposes for which these contributions were given are:

	2016 £	2015 £
Education	-	18,976
Relief of suffering	-	-
Other	-	19,886
	-	38,862

The Company did not make any political contributions during the year (2015: nil)

3M Health Care Limited

Directors' report for the year ended 31 December 2016 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of 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 maintenance and integrity of the company's website, which includes the company's published accounts

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

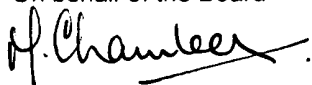
Statement of disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that so far as each director is aware, there is no relevant audit information (that is, information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware. Each director has taken all the steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

On behalf of the Board



M Chambers
Director

13 September 2017

3M Health Care Limited

Independent auditors' report to the members of 3M Health Care Limited

Report on the financial statements

Our opinion

In our opinion, 3M Health Care Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 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.

What we have audited

The financial statements, included within the Annual Report (the "Annual Report"), comprise:

- the Balance sheet as at 31 December 2016;
- the Profit and loss account and Statement of comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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, 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.

We have no exceptions to report arising from this responsibility.

3M Health Care Limited

Independent auditors' report to the members of 3M Health Care Limited (continued)

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 5, 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 & Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

What an audit of financial statements involves


We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual report (the "Annual 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.



Miles Saunders (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
13 September 2017

3M Health Care Limited

Profit and loss account for the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Turnover	5	2,837	188,988
Cost of sales		(2,676)	(150,520)
Gross profit		161	38,468
Other operating income	17	-	757
Net operating expenses	6	(10)	(21,576)
Operating profit		151	17,649
Interest receivable and similar income	11	-	1,179
Interest payable and similar charges	11	-	(594)
Profit on ordinary activities before taxation		151	18,234
Tax on profit on ordinary activities	12	-	(3,840)
Profit for the financial year		151	14,394

All results derive from continuing operations.

3M Health Care Limited

Statement of comprehensive income for the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Profit for the financial year		151	14,394
Other comprehensive income:			
Remeasurements of net defined benefit surplus	20	-	34,114
Recognition of previously restricted pension scheme surplus following pension scheme merger	20	-	-
Deferred tax expense relating to defined benefit pension scheme	12	-	(6,141)
Other comprehensive income for the year		-	27,973
Total comprehensive income for the year		151	42,367

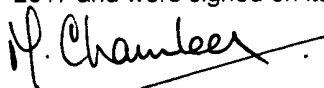
3M Health Care Limited

Balance sheet as at 31 December 2016

	Notes	2016 £'000	2015 £'000
Fixed assets			
Intangible assets	13	-	16,500
Tangible assets	14	-	51,352
		-	67,852
Current assets			
Inventories	15	-	4,322
Post-employment benefits: Amounts falling due after more than one year	20	-	20,393
Debtors: Amounts falling due within one year	16	216,341	305,875
Cash at bank and in hand		-	5,921
		216,341	336,511
Creditors - Amounts falling due within one year	17	-	(84,990)
Net current assets		216,341	251,521
Total assets less current liabilities		216,341	319,373
Post-employment benefits	20	-	-
Provisions for liabilities	18	-	(3,183)
Net assets		216,341	316,190
Capital and reserves			
Called up share capital	21	13,000	13,000
Contribution to capital		34,354	34,354
Retained earnings		168,987	268,836
Total equity		216,341	316,190

The notes on pages 12 to 28 are an integral part of these financial statements.

The financial statements on pages 8 to 28 were authorised for issue by the board of directors on 13 September 2017 and were signed on its behalf by:



M Chambers
Director

Registered company number: 00968166

3M Health Care Limited

Statement of changes in equity for the year ended 31 December 2016

	Called up share capital £'000	Contribution to capital £'000	Retained Earnings £'000	Total Equity £'000
Balance as at 1 January 2015	13,000	34,354	227,567	274,921
Profit for the financial year	-	-	14,394	14,394
Other comprehensive income for the year	-	-	27,973	27,973
Total comprehensive income for the year	-	-	42,367	42,367
Credit for equity settled share based payments	-	-	549	549
Charge from parent for equity settled share based payments	-	-	(1,647)	(1,647)
Dividends	-	-	-	-
Total transactions with owners, recognised directly in equity	-	-	(1,098)	(1,098)
Balance as at 31 December 2015	13,000	34,354	268,836	316,190
Balance as at 1 January 2016	13,000	34,354	268,836	316,190
Profit for the financial year	-	-	151	151
Dividends	-	-	(100,000)	(100,000)
Balance as at 31 December 2016	13,000	34,354	168,987	216,341

3M Health Care Limited

Notes to the financial statements for the year ended 31 December 2016

1 General information

3M Health Care Limited holds and perform the responsibilities associated with various manufacturing, other licenses and marketing authorisations it holds in respect of various pharmaceutical products and contracts with its immediate parent company, 3M United Kingdom PLC, who have all the relevant resources to provide these on the company's behalf. In turn, 3M United Kingdom PLC appointed the company to process materials supplied by 3M United Kingdom PLC to manufacture various pharmaceutical products in accordance with 3M United Kingdom PLC's requirements.

The income to the Company is generated from a Service Fee charged to 3M United Kingdom PLC calculated as a percentage of the cost of the products produced for 3M United Kingdom PLC in the accounting Period.

The costs to the company represent the Processing Fee paid to 3M United Kingdom PLC in respect of delivering the reciprocal services necessary to enable the company to have produced the same products. services

Income derived from the License Support and Manufacturing Services Agreement is categorised internally as License Fee Income

The Company is incorporated and domiciled in the United Kingdom. The Company's legal form is that of a limited company. The address of its registered office is 1 Morley Street, Loughborough, Leicestershire LE11 1EP.

2 Statement of compliance

The individual financial statements of 3M Health Care Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006, under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

3 Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by certain financial assets and liabilities measured at fair value through profit or loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

3M Health Care Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

3 Accounting policies (continued)

Exemptions for qualifying entities under FRS 102

The Company has taken advantage of the following exemptions on the basis that it is a qualifying entity and the disclosures are included in the consolidated accounts of its ultimate parent 3M Company which are publically available, see note 26:

- i) from preparing a statement of cash flows;
- ii) from the financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29;
- iii) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv) of FRS 102;
- iv) from the requirements of FRS 102 paras 26.18(b), 26.19 – 26.21, 26.23 on the basis that the share based payments are related to equity instruments in the ultimate parent 3M Company and the equivalent disclosures are included in the consolidated financial statements of the 3M Company in which the company is consolidated; and
- v) from disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7.

Consolidated financial statements

The Company is a wholly owned subsidiary of 3M United Kingdom Public Limited Company and of its ultimate parent 3M Company. It is included in the full consolidation of the financial statements of its ultimate parent, 3M Company. In accordance with the provisions of section 401 of the Companies Act 2006, group financial statements have not been prepared, and so these financial statements present the results of the company only.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the profit or loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Distributions to equity holders

Dividends and other distributions to Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

3M Health Care Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

3 Accounting policies (continued)

Related party transactions

The Company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

Revenue recognition

The income to the Company is generated from a Service Fee charged to 3M United Kingdom PLC calculated as a percentage of the cost of the products produced for 3M United Kingdom PLC in the accounting period. The costs to the company represent the Processing Fee paid to 3M United Kingdom PLC in respect of delivering the reciprocal services necessary to enable the company to have produced the same products. Services.

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for the service fee.

Dividends

Interim dividends are recognised when they are paid. Final dividends are recognised when the company has declared them in a general meeting.

4 Critical accounting judgements and estimated uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Due to the nature of the business there are no critical accounting judgements or estimates.

3M Health Care Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

5 Turnover

Analysis of turnover by geography

	2016 £'000	2015 £'000
Geographical area		
United Kingdom and Ireland	2,837	112,212
Rest of Europe	-	20,136
Rest of World	-	56,640
	2,837	188,988

Analysis of turnover by category

	2016 £'000	2015 £'000
Sale of goods	-	185,563
Rendering of services	-	3,425
License fees	2,837	-
Turnover	2,837	188,988

Analysis of turnover by class of business

	2016 £'000	2015 £'000
Turnover		
Sale of goods	-	188,988
License fees	2,837	-
Sales to 3M EMEA GMBH subsequently repurchased and sold to third party customers	-	(1,137)
Net Turnover*	2,837	187,851

*Net turnover represents turnover less sales to 3M EMEA GMBH subsequently repurchased and sold to third party customers

In the prior year 3M Health Care Limited acted as a contract manufacturer for 3M EMEA GMBH and also makes sales to third party customers under the same terms and conditions of sale.

In the prior year 3M Health Care Limited re-purchased stock from 3M EMEA GMBH which had previously been sold by 3M Health Care Limited to 3M EMEA GMBH for £1,137,000 which was then immediately sold to third party customers.

In both sales transactions 3M Health Care Limited has acted as a principal in the transaction as 3M Health Care Limited has retained the significant risks and benefits associated with each transaction and in accordance with FRS102 the total sales reported above includes the gross value of both sales.

3M Health Care Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

6 Net operating expenses

	2016 £'000	2015 £'000
Distribution costs	-	(22,757)
Administrative expenses	(10)	(12,632)
Total operating expenses	(10)	(35,389)
Charged to group undertakings	-	13,813
Total net operating expenses	(10)	(21,576)

Amounts charged to group undertakings relate to costs incurred by 3M Health Care Limited in performance of activities for the benefit of other group companies.

7 Operating profit

	2016 £'000	2015 £'000
Operating profit is stated after charging/(crediting):		
Wages and salaries	-	35,465
Social security costs	-	3,739
Other pension costs – defined benefit (note 20)	-	7,153
Other pension costs – defined contribution (note 20)	-	1,191
Share based payment – fair value of employee services	-	549
Share based payment – movement in potential recharge to ultimate parent in respect of options not being fair valued	-	-
Staff costs	-	48,097
Research and development costs	-	10,860
Other operating income – research and development tax credit (note 17)	-	757
Impairment of trade receivables	-	27
Impairment of inventory	-	77
Inventory recognised as an expense	-	115,057
Operating lease charges	-	664
Foreign exchange loss	-	64

3M Health Care Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

7 Operating profit (continued)

Services provided by the Company's auditors and its associates

During the year the Company obtained the following services from the Company's auditors and its associates:

	2016 £'000	2015 £'000
Audit services: fees payable for the audit of the company	10	203
Fees for other services:		
Audit related assurance services	-	14
Taxation services	-	40
	-	54
Total services	10	257

8 Dividends

	2016 £'000	2015 £'000
Equity – Ordinary		
Interim dividend proposed and paid: £7.69 (2015: £nil) per share	100,000	-

9 Directors' emoluments

The emoluments of all directors are paid by 3M United Kingdom PLC (the parent company) and they are deemed to be wholly attributed to services to that company. Emoluments in the prior period were as follows.

	2015 £'000
Aggregate emoluments and benefits (excluding gains on exercise of share options and value of shares received under long-term incentive schemes)	463

Retirement benefits were accruing to 1 of the directors under defined benefit schemes. No directors were accruing benefits under the money purchase scheme.

	2015 £'000
Highest paid director	
Aggregate emoluments and benefits (excluding gains on exercise of share options and value of shares received under long-term incentive schemes)	260

The accrued pension liability at year end for the highest paid director was £39,309.

The number of directors who received share options in the ultimate parent company in the prior year was 6, including the highest paid director. The number of directors who exercised share options in the ultimate parent company during the prior year was 3, including the highest paid director.

3M Health Care Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

10 Employee information

Employees were transferred to the parent company 3M United Kingdom public limited company on 1st January 2016. The average monthly number of persons (including executive directors) employed by the Company during the prior year was:

By activity	2015 Number
Production	513
Distribution and selling	208
Laboratory	87
Administration	30
	838

11 Net interest receivable and similar income

	2016 £'000	2015 £'000
Interest receivable on loans to group undertakings	-	1,179
Total interest receivable and similar income	-	1,179
Interest payable on bank loans and overdrafts	-	-
Interest payable on post-employment benefits	-	(594)
Total interest payable and similar charges	-	(594)
Net interest receivable and similar income	-	585

12 Tax on profit on ordinary activities

Tax expense included in profit or loss	2016 £'000	2015 £'000
Current Tax:		
UK corporation tax on profits for the year	-	3,790
Adjustments in respect of prior years	-	(177)
Total current tax	-	3,613
Deferred tax:		
Origination and reversal of timing differences	-	64
Adjustments in respect of prior years	-	(157)
Changes in tax rates or laws	-	320
Total deferred tax (note 19)	-	227
Tax on profit on ordinary activities	-	3,840

3M Health Care Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

12 Tax on profit on ordinary activities (continued)

	2016 £'000	2015 £'000
Deferred tax (note 19)	-	6,141
Total tax expense included in other comprehensive income	-	6,141

Reconciliation of tax change

The tax assessed for the year is lower (2015: higher) than the standard rate of corporation tax in the United Kingdom 20.00% (2015: 20.25%). The differences are explained below:

	2016 £'000	2015 £'000
Profit on ordinary activities before taxation	151	18,234
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in UK of 20.00% (2015: 20.25%)	30	3,692
Effects of:		
Expenses not deductible for tax purposes	-	424
Impact of rate changes	-	312
Group relief claimed for nil consideration	(30)	(254)
Adjustments in respect of prior years	-	(334)
Tax charge for the year	-	3,840

Tax rate changes

The standard rate of tax applied on ordinary activities is 20% (2015: 20.25%). Reductions in main rate of corporation tax were enacted by Finance (No.2) Act 2015 to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. These enacted reduced rates of corporation tax were reflected within the prior year financial statements.

The Chancellor of the Exchequer has announced a further reduction in the rate, to 17% from 1 April 2020. As such, the previously enacted rate of 18% from 1 April 2020 will not come into effect. This change was enacted by Finance Act 2016 on 15 September 2016 and the relevant deferred tax balances have been re-measured.

3M Health Care Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

13 Intangible assets

	Purchased Goodwill £'000
Cost	
At 1 January 2016	44,159
Transfers out	(44,159)
At 31 December 2016	-
Accumulated amortisation and impairment	
At 1 January 2016	27,659
Transfers out	(27,659)
At 31 December 2016	-
Net book amount	
At 31 December 2016	-
At 31 December 2015	16,500

14 Tangible assets

	Land and Buildings £'000	Plant and Machinery £'000	Fixtures and Fittings £'000	Total £'000
Cost				
At 1 January 2016	50,455	108,068	2,238	160,761
Transfers out	(50,455)	(108,068)	(2,238)	(160,761)
At 31 December 2016	-	-	-	-
Accumulated depreciation				
At 1 January 2016	33,799	73,410	2,200	109,409
Transfers out	(33,799)	(73,410)	(2,200)	(109,409)
At 31 December 2016	-	-	-	-
Net book amount				
At 31 December 2016	-	-	-	-
At 31 December 2015	16,656	34,658	38	51,352

3M Health Care Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

14 Tangible assets (continued)

	2016 £'000	2015 £'000
Analysis of land and buildings		
Net book amount		
Freehold	-	16,281
Long leasehold	-	375
	-	16,656

In the prior year of the £16,656,000 held under land and buildings £1,631,000 related to freehold land.

15 Inventories

	2016 £'000	2015 £'000
Raw materials and consumables	-	695
Work in progress	-	1,260
Finished goods and goods for resale	-	2,367
	-	4,322

The replacement cost of inventories is not substantially different from its book value.

Prior year inventories are stated after provisions for impairment of £55,848

16 Debtors

	2016 £'000	2015 £'000
Amounts falling due within one year		
Trade debtors	-	14,552
Amounts owed by group undertakings	216,341	290,945
Other debtors	-	18
Prepayments and accrued income	-	360
Total debtors	216,341	305,875

Amounts owed by group undertakings are unsecured, repayable on demand and interest free with the exception of £nil (2015: £242,366) which bear interest at the LIBOR rate (2015: LIBOR) .

Trade debtors are stated after provisions for impairment of £nil (2015: £27,000)

3M Health Care Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

17 Creditors: Amounts falling due within one year

	2016 £'000	2015 £'000
Trade creditors	-	7,317
Amounts owed to group undertakings	-	63,538
Corporation tax	-	9,095
Other taxation and social security	-	2,469
Other creditors	-	399
Accruals and deferred income	-	2,172
	-	84,990

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

Corporation tax is disclosed net of research and development tax credits as follows:

	2016 £'000	2015 £'000
Above the line credit claim for the year	-	757
Tax at 20% on claim for the year	-	(151)
At 31 December	-	606

18 Provisions for liabilities

	Legal Provision £'000	Deferred Tax £'000	Total £'000
At 1 January 2016	15	3,168	3,183
Amounts transferred	(15)	(3,168)	(3,183)
At 31 December 2016	-	-	-

3M Health Care Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

19 Deferred tax

The provision for deferred tax consists of the following deferred tax liabilities/(assets):

	2016 £'000	2015 £'000
Excess of depreciation over capital allowances	-	(130)
Share options provision	-	(354)
Other short-term timing differences	-	(18)
Post-employment benefits	-	3,670
Total deferred tax liability/(asset)	-	3,168
At 1 January	3,168	(3,200)
Deferred tax charge to profit and loss account	-	227
Deferred tax transferred to parent company	(3,168)	-
Deferred tax charge to other comprehensive income	-	6,141
At 31 December	-	3,168

20 Post-employment benefits

The Company operates a number of pension schemes for its employees. The amounts recognised in the Balance sheet is as follows:

	Notes	2016 £'000	2015 £'000
Defined benefit scheme asset / (liability)	21a	-	20,393

The amount recognised in the profit and loss account is as follows:

	Notes	2016 £'000	2015 £'000
Defined benefit scheme			
- Current service costs	7	-	7,153
- Administration expenses		-	346
Defined contribution scheme	7	-	1,191
Total charge in operating profit		-	8,690
Defined benefit scheme			
- Net interest expense	11	-	594
Total charge		-	9,284

3M Health Care Limited

Notes to the financial statements

for the year ended 31 December 2016 (continued)

20 Post-employment benefits (continued)

a) Defined benefit scheme – 3M Pension and Life Assurance Scheme

During the prior year, the Company, together with 3M United Kingdom PLC, operated one defined benefit pension schemes funded by both employers' and employees' contributions; 3M Pension and Life Assurance Scheme. The amounts disclosed in relation to this pension scheme represent the Company's share of assets and liabilities, with the other amounts being recognised in 3M United Kingdom PLC. On 1st January 2016 the pension scheme was transferred to 3M United Kingdom PLC.

3M Pension and Life Assurance Scheme is a defined benefit pension scheme with assets held in a separately administered fund. The scheme provides retirement benefits on the basis of members' final salary. The company has agreed a funding plan with the trustees, whereby ordinary contributions are made into the scheme based on a percentage of active employees' salary. Additional contributions are agreed with the trustee to reduce the funding deficit where necessary. On 30 June 2003, the defined benefit pension scheme was closed to new entrants. At the same time, the company established a defined contribution scheme to provide benefits to new employees.

On 30 April 2015 the scheme assets and liabilities of the Security, Printing and Systems Limited pension scheme were merged in to the 3M Pension and Life Assurance Scheme.

An actuarial valuation of the 3M Pension and Life Assurance scheme using the projected unit basis, was carried out at 5 April 2012 by Aon Hewitt Consulting, independent consulting actuaries. The actuarial valuation as at 5 April 2016 is currently being finalised.

They also then prepare a valuation for the purposes of the financial statements, the major assumptions used by the actuary were:

	2015 %
Rate of increase in salaries	3.00
Rate of increase in pensions in payment:	
- Pension accrued after 6 April 1997	2.95
- Pension accrued after 5 April 2006	2.15
- SPSL excess pension	1.95
Discount rate	
- DBO	3.70
- Service Costs	3.80
- Net Interest Costs	3.20
Rate of inflation	
- RPI	3.0
- CPI	1.9

3M Health Care Limited

Notes to the financial statements

for the year ended 31 December 2016 (continued)

20 Post-employment benefits (continued)

b) Defined benefit scheme – 3M Pension and Life Assurance Scheme

The mortality assumptions used were as follows:	2015 Years
Longevity at age 65 for current pensioners	
- Men	87.4
- Women	88.6
Longevity at age 65 for future pensioners	
- Men	88.6
- Women	90.1

Reconciliation of scheme assets and liabilities:	Assets £'000	Liabilities £'000	Total £'000
At 1 January 2016	443,258	(422,865)	20,393
Transfers out	(443,258)	422,865	(20,393)
At 31 December 2016	-	-	-

The equity investments and bonds which are held in plan assets are quoted and are valued at the current bid price. Scheme assets do not include any of 3M Health Care Limited's own financial instruments, or any property occupied by 3M Health Care Limited.

Total costs recognised as an expense:

	2016 £'000	2015 £'000
Defined benefit scheme		
- Current service costs	-	7,153
- Administration expenses	-	346
- Net interest expense	-	594
Total charge	-	8,093

The fair value of the plan assets was:

	2016 £'000	2015 £'000
Equity	-	142,009
Bonds	-	253,646
Alternatives	-	47,603
	-	443,258

3M Health Care Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

20 Post-employment benefits (continued)

The return on the plan assets was:

	2016 £'000	2015 £'000
Interest income on Scheme assets	-	15,709
Gain / (loss) on Scheme assets	-	(3,694)
Actual return on plan assets	-	12,015

b) Defined contribution scheme

Following the closure of the defined benefit scheme to new entrants, the Company provides a defined contribution scheme for its employees.

The amount recognised as an expense for the defined contribution scheme was:

	2016 £'000	2015 £'000
Current period contributions	-	1,191

21 Called up share capital

	2016 £'000	2015 £'000
Allotted and fully paid		
13,000,000 (2015: 13,000,000) ordinary shares of £1 each	13,000	13,000

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

22 Capital and other commitments

	2016 £'000	2015 £'000
Contracts placed for future capital expenditure not provided for in the financial statements	-	4,036

The company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

3M Health Care Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

22 Capital and other commitments (continued)

	2016 £'000	2015 £'000
Payments due		
Not later than one year	-	517
Later than one year and not later than five years	-	1,200
Later than five years	-	1,175
	-	2,892

The Company has no other off-balance sheet arrangements.

23 Controlling parties

The immediate parent undertaking is 3M United Kingdom PLC.

3M United Kingdom PLC is a wholly owned subsidiary of 3M Company, a company incorporated in the United States of America, as the ultimate parent company and controlling party. This is the largest, and also the smallest, group of which the Company is a member and for which group financial statements are prepared. Copies of the consolidated financial statements of the ultimate parent company may be obtained from 3M Investor Relations, 3M Center, Building 225-SN-04 St Paul, MN 55144-1000, USA.

Financial statements of certain of the US and UK companies are also available on the internet at <http://www.3m.com/uk>. The Company is exempt from disclosing other related party transactions as they are with other group companies that are also wholly owned within the group.

3M Health Care Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

24 Disposals

On 1st January 2016 the company sold its trade and assets to 3M United Kingdom plc. The net assets sold are set out below:

	Book Value and Fair Value £'000
Intangible assets	16,500
Tangible assets	51,352
Inventories	4,322
Post employment benefits	20,393
Debtors	305,875
Creditors	(84,990)
Provisions for liabilities	(3,183)
Cash at bank	5,921
Net assets acquired	316,190
Total consideration	316,190