

Registered Number 00362847

SMITHS MEDICAL INTERNATIONAL LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2012

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SMITHS MEDICAL INTERNATIONAL LIMITED
REPORT AND FINANCIAL STATEMENTS 2012

CONTENTS	Page
Directors' report	1 - 3
Independent auditors' report to the member of Smiths Medical International Limited	4
Profit and loss account	5
Statement of total recognised gains and losses	6
Balance sheet	7
Notes to the financial statements	8 - 28

SMITHS MEDICAL INTERNATIONAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JULY 2012

The directors present their report and the audited financial statements for the year ended 31 July 2012

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The Company's principal activity in the financial year is that of the design, manufacture, distribution and sale of medical devices. There has been no significant change in this activity during the financial year.

The results for the year show a pre-tax profit of £20,494,000 (2011: £16,248,000) and sales of £235,215,000 (2011: £232,771,000). A dividend of £10,000,000 (2011: £35,600,000) was authorised and paid during the year.

FUTURE OUTLOOK

It is not envisaged that the Company will initiate any plans to restructure its principal activity and will maintain its current level of performance in the forthcoming financial year.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Company are:

Actions of competitors

The Company operates in highly competitive markets. Product innovations or technical advances by competitors could adversely affect the business. The diversity of operations reduces the possible effect of action by any single competitor. The Company invests in research and development in order to sustain competitive advantage, and works continually to ensure that the cost base is competitive.

Effect of legislation or other regulatory action

The Company is subject to a broad range of laws, regulations and standards in the jurisdictions in which it operates. The Company is particularly subject to regulation, with certain customers and regulatory or other enforcement bodies routinely inspecting the Company's practices, processes and premises. Certain legal liability risks, such as product liability and employer's liability, are transferred to insurers, subject to policy limits and conditions. However, the Company has been in business for many years and there is a risk of latent injury claims which may not be fully covered by insurance.

Foreign exchange

The Company is exposed to transaction risk in respect of products manufactured in one currency region and sold in another currency. The Company's practices for managing currency risk generally mitigate transaction risk in the short term. Over the longer term, the Company remains exposed to transaction risk.

FINANCIAL RISK MANAGEMENT

The Company's operations expose it to a variety of financial risks that include the effects of price risk, credit risk, liquidity risk and interest rate risk. The Company has in place a risk management programme that seeks to limit the adverse effects of these on the financial performance of the Company by monitoring cash flows and levels of debt, and by using financial instruments.

Operational credit risk

The Company has implemented policies that require appropriate credit checks on potential customers before credit terms are offered. Customer credit limits are set based on credit ratings, past experience and other factors and subject to regular review.

Concentrations of credit risk with respect to trade receivables are limited due to the diverse customer base.

SMITHS MEDICAL INTERNATIONAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JULY 2012

Foreign exchange risks

The Company makes a proportion of its sales in foreign currencies, principally US\$ and €. The resulting foreign exchange risks are managed through natural hedging and hedging contracts.

Financing

Financing is managed on a Group basis. The financial instruments note in the annual report and financial statements of Smiths Group plc provides details of how the Group manages interest rate risks, financial credit risks and liquidity risks. This can be obtained from <http://www.smiths-group.com/reports>.

KEY PERFORMANCE INDICATORS

The directors of Smiths Group plc manage the Group's operations on a divisional basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of Smiths Medical International Limited. The development, performance and position of the medical division of Smiths Group plc, which includes the Company, is discussed in the Group's annual report which does not form part of this report and can be found at the reference outlined above.

DIRECTORS

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

Steven Eggleston

Matt Sassone (resigned 31 July 2012)

Suzie Hardy (appointed 1 August 2012)

RESEARCH AND DEVELOPMENT

The Company is currently undertaking research and development into new products and technologies which will expand and extend its current product ranges, or improve existing products within these ranges.

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The Company's policy and practice is to pay creditors promptly in accordance with agreed terms of business. The average time the Company took to pay an invoice was 44 days (2011: 40 days).

EMPLOYMENT POLICIES

It is the Company's policy to provide equal opportunities for employment. The Company continues to be actively involved in all aspects of the training and development of young persons, including initiatives designed to ease the transition from school to work. Disabled people are given full consideration for employment and subsequent training, career development and promotion on the basis of their aptitudes and abilities.

Employees are regularly provided with a wide range of information concerning the performance and prospects of the business in which they are involved by means of Employee Councils, Information and Consultation forums, and other consultative bodies that allow the views of personnel to be taken into account.

SMITHS MEDICAL INTERNATIONAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JULY 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the 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 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 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 have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

Each person who is a director at the date of approval of this report confirms that


(a) so far as the directors are 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, and

(b) the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

On behalf of the Board



Steven Eggleston
Director

17 September 2012

SMITHS MEDICAL INTERNATIONAL LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SMITHS MEDICAL INTERNATIONAL LIMITED

We have audited the financial statements of Smiths Medical International Limited for the year ended 31 July 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes. 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).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3 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 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.

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.

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 31 July 2012 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.

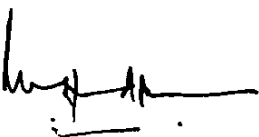
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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.



Martin Hodgson (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
18 September 2012

SMITHS MEDICAL INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 July 2012

	Notes	Year ended 31 July 2012 £'000	Year ended 31 July 2011 £'000
Turnover	2	235,215	232,771
Cost of sales		<u>(176,035)</u>	<u>(179,951)</u>
Gross profit		59,180	52,820
Sales and distribution costs		(13,778)	(13,021)
Administrative expenses		(26,146)	(22,756)
Other income	3	<u>997</u>	<u>-</u>
Operating profit	4	20,253	17,043
Income from shares in group undertakings	7	-	5,600
Amounts written off investments	13	-	(6,391)
Interest receivable and similar income	8	388	264
Interest payable and similar charges	9	<u>(147)</u>	<u>(268)</u>
Profit on ordinary activities before taxation		20,494	16,248
Tax on profit on ordinary activities	10	<u>(11,403)</u>	<u>(4,815)</u>
Profit for the financial year	21	<u>9,091</u>	<u>11,433</u>

There is no material difference between the profit for the financial years stated above and the profit calculated on a historical cost basis

The profit for the financial year arose from continuing activities

SMITHS MEDICAL INTERNATIONAL LIMITED

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 July 2012**

	Notes	Year ended 31 July 2012 £'000	Year ended 31 July 2011 £'000
Profit for the financial year	21	9,091	11,433
Fair value gains/(losses) on cash-flow hedges	18	<u>1,458</u>	<u>(2,114)</u>
Total recognised gains and losses for the financial year		<u>10,549</u>	<u>9,319</u>

SMITHS MEDICAL INTERNATIONAL LIMITED**Registered Number 00362847****BALANCE SHEET AS AT 31 July 2012**

	Notes	31 July 2012 £'000	31 July 2011 £'000
Fixed assets			
Goodwill	11	5,806	6,276
Tangible assets	12	11,522	15,130
Investments	13	11,898	11,898
		<u>29,226</u>	<u>33,304</u>
Current assets			
Stock	14	29,002	30,521
Debtors			
amounts falling due within one year	15	70,706	62,847
amounts falling due after more than one year	15	-	2,109
Cash at bank and in hand		1,743	-
		<u>101,451</u>	<u>95,477</u>
Creditors amounts falling due within one year	16	(45,001)	(43,503)
		<u>56,450</u>	<u>51,974</u>
Net current assets			
		<u>85,676</u>	<u>85,278</u>
Total assets less current liabilities			
		<u>85,676</u>	<u>85,278</u>
Creditors (amounts falling due after more than one year)	17	(34)	(35)
Provisions for liabilities	19	(1,785)	(2,083)
		<u>83,857</u>	<u>83,160</u>
Net assets			
		<u>83,857</u>	<u>83,160</u>
Capital and reserves			
Called up share capital	20	43	43
Share premium account	21	71,340	71,340
Other reserves	21	2,793	1,187
Profit and loss account	21	9,681	10,590
		<u>83,857</u>	<u>83,160</u>
Total shareholders' funds	22	<u>83,857</u>	<u>83,160</u>

The financial statements on pages 5 to 28 were approved by the Board of Directors on 17 September 2012 and were signed on its behalf by



Steven Eggleston
Director

SMITHS MEDICAL INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 July 2012

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with the Companies Act 2006 and all applicable accounting standards in the United Kingdom (UK GAAP)

These financial statements have been prepared on a going concern basis and under the historical cost convention (as modified to include revaluation of certain financial instruments)

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates

Changes in accounting policy

The accounting policies adopted are consistent with those of the previous financial year

Consolidation

As the Company is a wholly owned subsidiary of Smiths Group plc which prepares publicly available consolidated group financial statements, the Company has not prepared consolidated financial statements as permitted by section 400 of the Companies Act 2006

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the identifiable net assets of the acquired business at the date of acquisition

Goodwill arising from acquisitions of businesses after 1 August 1998 is included in intangible assets. It is capitalised at cost and amortised on a straight-line basis over an estimated useful economic life of up to 20 years. Gains and losses on the disposal of an entity include the carrying amount of the goodwill relating to the entity sold.

Goodwill arising from acquisitions of businesses before 1 August 1998 was set against reserves in the year of acquisition.

Cash flow statement and related party disclosures

The Company is a wholly owned subsidiary of Smiths Group plc and is included in the consolidated financial statements of Smiths Group plc, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996). The Company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of Smiths Group plc group.

Research and development

Expenditure on research and development is charged to the profit and loss account in the year in which it is incurred with the exception of amounts recoverable from third parties.

SMITHS MEDICAL INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 July 2012

1. ACCOUNTING POLICIES (continued)

Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and any recognised impairment losses

Land is not depreciated. Depreciation is provided on other assets estimated to write off the depreciable amount of relevant assets by equal annual instalments over their estimated useful lives. In general, the rates used are

- Freehold and long leasehold buildings – 2%,
- Short leasehold buildings – over the period of the lease,
- Plant and machinery – 10% to 20%,
- Fixtures, fittings and equipment – 10% to 33%

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

No interest is capitalised as part of tangible fixed assets.

Investments

The Company's investment in shares in Group companies are stated at cost less provision for impairment. Any impairment is charged to the profit and loss account when it arises.

Stock

Stock is stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Provisions

Provisions for warranties and product liability, disposal indemnities, restructuring costs, vacant leasehold property and legal claims are recognised when, the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are discounted where the time value of money is material.

Where there are a number of similar obligations, for example where a warranty provision has been given, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Where a leasehold property is vacant, or sub-let under terms such that the rental income is insufficient to meet all outgoings, provision is made for the anticipated future shortfall up to termination of the lease, or the termination payment, if smaller.

SMITHS MEDICAL INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 July 2012

1. ACCOUNTING POLICIES (continued)

Trade and other debtors

Trade debtors are initially recognised at fair value and subsequently measured at amortised cost, less any appropriate provision for estimated irrecoverable amounts. A provision is established for irrecoverable amounts when there is objective evidence that amounts due under the original payment terms will not be collected.

Cash

Cash includes cash at bank and in hand.

Financial assets

Financial assets are initially recognised at transaction price when the Company becomes party to contractual obligations. The transaction price used includes transaction costs unless the asset is being fair valued through the profit and loss account.

The classification of financial assets depends on the purpose for which the assets were acquired. Management determines the classification of an asset at initial recognition and re-evaluates their designation at each reporting date. Assets are classified as loans and receivables, or financial assets where changes in fair value are charged (or credited) to the profit and loss account.

The subsequent measurement of financial assets depends on their classification. Loans and receivables are measured at amortised cost using the effective interest method. Financial assets where changes in fair value are charged (or credited) to the profit and loss account are subsequently measured at fair value. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit and loss' category are included in the profit and loss account in the period in which they arise.

Financial assets are derecognised when the right to receive cash-flows from the assets has expired or has been transferred, and the Company has transferred substantially all of the risks and rewards of ownership.

Financial liabilities

Borrowings are initially recognised at the fair value of the proceeds, net of related transaction costs. These transaction costs and any discount or premium on issue are subsequently amortised under the effective yield method through the profit and loss account as interest over the life of the loan, and added to the liability disclosed in the balance sheet. Related accrued interest is included in the borrowings figure.

Borrowings are classified due within one year unless the Company has an unconditional right to defer settlement of the liability for at least one year after the balance sheet date.

Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising any resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the profit and loss account.

SMITHS MEDICAL INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 July 2012

1. ACCOUNTING POLICIES (continued)

Fair value of financial assets and liabilities

The fair values of financial assets and financial liabilities are the amounts at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale

The following methods are used to estimate the fair values of the financial instruments

- cash, trade receivables and payables and floating rate borrowings – the carrying value is a good approximation of the fair value,
- forward exchange contracts, currency swaps, interest rate instruments and embedded derivatives – net present value of the future cash-flows, calculated using market data at the balance sheet date (principally exchange rates and yield curves)

Cash-flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash-flow hedges are recognised in equity. The gain or loss relating to any ineffective portion is recognised immediately in the profit and loss account.

Amounts accumulated in equity are recycled to the profit and loss account in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when a forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a liability, the gains and losses previously deferred in equity are transferred from equity reserves and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit and loss account. If a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit and loss account.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

Turnover

Turnover from the sale of goods is recognised when the risks and rewards of ownership have been transferred to the customer, which is usually when title passes.

Turnover from services is recognised in accounting periods in which the services are rendered, by reference to completion of the specific transaction, assessed on the basis of the actual service provided as a portion of the total services to be provided.

Turnover is measured at the fair value of the consideration received, net of trade discounts and sales taxes.

Pension obligations

The Company's principal arrangements are provided through the independent Smiths Industries Pension Scheme, which is a defined benefit scheme. The Company is unable to identify its share of the underlying assets and liabilities of the scheme, and accordingly accounts for its contributions to the scheme as if it were a defined contribution scheme in accordance with 'FRS 17 Retirement benefits'.

SMITHS MEDICAL INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 July 2012

1. ACCOUNTING POLICIES (continued)

Share based compensation

The Group operates a number of equity-settled share-based compensation plans and Smiths Group plc has made grants under these plans to Group employees working for the Company

The fair value of the shares or share options granted is recognised as an expense over the vesting period to reflect the value of the employee services received. The corresponding credit is treated as a capital contribution from the parent company.

The fair value of options granted, excluding the impact of any non-market vesting conditions, is calculated using established option pricing models, principally binomial models. The probability of meeting non-market vesting conditions, which include profitability targets, is used to estimate the number of share options which are likely to vest.

In accordance with the transitional provisions of 'FRS 20 Share-based Payment', no charge had been recognised for grants of equity instruments made before 7 November 2002.

Foreign currencies

Foreign currency transactions are recorded at the exchange rate ruling at the date of transaction and monetary assets and liabilities denominated in a foreign currency are retranslated at the closing exchange rate at the balance sheet date.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions, and from the retranslation of monetary assets and liabilities denominated in foreign currencies, are recognised in the profit and loss account.

Current taxation

The tax on profit on ordinary activities includes amounts paid or received for Group relief in respect of tax losses claimed and surrendered in the current period. All current tax liabilities have been assumed by Smiths Group plc, the ultimate parent Company.

Deferred taxation

Deferred tax is recognised in respect of timing differences that have originated but not reversed at the balance sheet date. Timing differences are the difference between the Company's taxable profits and its results as disclosed in the financial statements, arising from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred assets are recognised only when their recovery is considered probable.

Deferred tax is not discounted.

Dividends

Dividends are recognised as a liability in the financial year in which they are authorised. Interim dividends are recognised when they are paid, and final dividends are recognised when they have been approved by the ultimate parent undertaking.

SMITHS MEDICAL INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 July 2012

2. TURNOVER

The Company operates in one class of business. The analysis of turnover by geographical area is as follows

	Year ended 31 July 2012 £'000	Year ended 31 July 2011 £'000
United Kingdom	38,446	38,910
North America	9,736	2,527
Europe	121,977	126,309
Other overseas	65,056	65,025
	<u>235,215</u>	<u>232,771</u>

3. OTHER INCOME

	Year ended 31 July 2012 £'000	Year ended 31 July 2011 £'000
Insurance claim	<u>997</u>	<u>-</u>
	<u>997</u>	<u>-</u>

The other income in the year relates to insurance income received to reimburse for freight and travel costs incurred as a result of problems with one of the Company's suppliers

SMITHS MEDICAL INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 July 2012

4. OPERATING PROFIT

	Year ended 31 July 2012 £'000	Year ended 31 July 2011 £'000
Wages and salaries	24,897	23,218
Social security costs	2,560	2,462
Other pension costs (note 25)	1,909	1,987
Share based compensation (note 26)	148	181
Employee costs	29,514	27,848
Depreciation of tangible fixed assets	5,083	3,325
Amortisation of goodwill	470	469
Profit on disposal of fixed assets	(8)	(10)
Research and development expenses	3,613	3,722
Operating leases		
- land and buildings	930	663
- plant and machinery	386	368
Foreign exchange losses/(gains)	878	(736)
Fees charged by PricewaterhouseCoopers LLP and their associates		
- statutory audit fee	132	117
- services related to information technology	-	70

5. DIRECTORS' REMUNERATION

	Year ended 31 July 2012 £'000	Year ended 31 July 2011 £'000
Aggregate emoluments	387	358
Company contributions in respect of defined contribution pension schemes	42	33

Highest paid director

	Year ended 31 July 2012 £'000	Year ended 31 July 2011 £'000
Aggregate emoluments	215	220
Company contributions in respect of defined contribution pension schemes	22	21

Certain directors provide services both to the Company and a number of other related Smiths Group plc entities. Retirement benefits are accruing to 1 director (2011: 1) under a defined benefit scheme.

No directors exercised share options in the year with Smiths Group plc.

SMITHS MEDICAL INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 July 2012

6. EMPLOYEE INFORMATION

The average number of monthly persons employed by the Company was

	Year ended 31 July 2012 Number	Year ended 31 July 2011 Number
UK	728	764
Overseas	37	26
	<u>765</u>	<u>790</u>

Certain employees' have contracts of service with Smiths Group plc company. Remuneration in respect of these employees is included above because they work full time for and are paid by the Company.

7. INCOME FROM SHARES IN GROUP UNDERTAKINGS

	Year ended 31 July 2012 £'000	Year ended 31 July 2011 £'000
Medex Medical Limited	<u>-</u>	<u>5,600</u>

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 July 2012 £'000	Year ended 31 July 2011 £'000
Interest receivable from Group undertakings	384	259
Interest receivable on cash and deposits	<u>4</u>	<u>5</u>
	<u>388</u>	<u>264</u>

9. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 July 2012 £'000	Year ended 31 July 2011 £'000
Interest payable on overdraft and bank loans	110	140
Finance costs relating to forward foreign exchange contracts	<u>37</u>	<u>128</u>
	<u>147</u>	<u>268</u>

SMITHS MEDICAL INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 July 2012

10. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 31 July 2012 £'000	Year ended 31 July 2011 £'000
Analysis of tax charge on ordinary activities		
United Kingdom		
Current tax (group relief payment)	6,683	2,350
Adjustment to tax in respect of prior year	2,624	(497)
Total current United Kingdom tax	9,307	1,853
Deferred taxation		
Origination and reversal of timing differences	2,096	2,105
Changes to statutory tax rates	-	857
Total deferred tax (note 15)	2,096	2,962
Tax on profit on ordinary activities	11,403	4,815

The tax for the financial year is different (2011 different) from the standard rate of corporation tax in the UK. The differences are explained below

	Year ended 31 July 2012 £'000	Year ended 31 July 2011 £'000
Profit on ordinary activities before taxation	20,494	16,248
UK corporation tax at 25 33% (2011 27 33%)	5,191	4,440
Effects of		
Income not chargeable for tax purposes	(93)	(2,004)
Expenses not deductible for tax purposes	583	1,930
Accelerated capital allowances	714	(1,955)
Depreciation less industrial building allowances on ineligible assets	149	181
Other timing differences	210	(170)
Research and development allowances	(71)	(72)
Adjustment to tax in respect of prior period	2,624	(497)
	9,307	1,853
Group relief surrendered from fellow subsidiary		
- current year	(6,683)	(2,350)
- prior year	(2,624)	497
Group relief payment	9,307	1,853
Total current tax	9,307	1,853

SMITHS MEDICAL INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 July 2012

11. GOODWILL

	Goodwill £'000
Cost	
At 1 August 2011	9,392
Additions	-
At 31 July 2012	<u>9,392</u>
Accumulated amortisation	
At 1 August 2011	3,116
Charge for the year	470
At 31 July 2012	<u>3,586</u>
Net book value	
At 31 July 2012	<u>5,806</u>
At 31 July 2011	<u>6,276</u>

Goodwill represents the difference between the price paid for Pneupac Limited and Medex Medical Limited, and the net assets acquired. The trade and assets of Pneupac Limited and Medex Medical Limited were transferred to Smiths Medical International Limited.

SMITHS MEDICAL INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 July 2012

12 TANGIBLE FIXED ASSETS

	Land and buildings £'000	Plant and machinery £'000	Fixtures, fittings, and equipment £'000	Total £'000
Cost or valuation				
At 1 August 2011	6,593	14,605	23,199	44,397
Transfers to/from other Group Companies	-	(50)	-	(50)
Additions	14	687	818	1,519
Disposals	-	(523)	(62)	(585)
At 31 July 2012	6,607	14,719	23,955	45,281
Accumulated depreciation				
At 1 August 2011	2,894	11,245	15,128	29,267
Transfers to/from other Group Companies	-	(6)	-	(6)
Charge for the year	1,746	1,006	2,331	5,083
Disposals	-	(523)	(62)	(585)
At 31 July 2012	4,640	11,722	17,397	33,759
Net book value				
At 31 July 2012	1,967	2,997	6,558	11,522
At 31 July 2011	3,699	3,360	8,071	15,130

Additions in the year reflect capital investment in the ordinary course of business

Disposals consisted primarily of the disposal of fixed assets at book value at the end of their useful life in the ordinary course of business

The net book amount of property comprises

	31 July 2012 £'000	31 July 2011 £'000
Freehold	1,892	3,601
Short Leaseholds	75	98
	<u>1,967</u>	<u>3,699</u>

SMITHS MEDICAL INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 July 2012

13. FIXED ASSET INVESTMENT

		Shares in group undertakings £'000
Cost or valuation		
At 1 August 2011		18,289
Additions		-
At 31 July 2012		18,289
Provision for permanent diminution in value		
At 1 August 2011		6,391
Additions		-
At 31 July 2012		6,391
Net book value		
At 31 July 2012		11,898
At 31 July 2011		11,898
	31 July 2012 £'000	31 July 2011 £'000
Investment in Subsidiaries		
Pneupac Limited	7,835	7,835
Graseby Medical Limited	229	229
Medex Medical Limited	3,834	3,834
	<u>11,898</u>	<u>11,898</u>

In the opinion of the directors the value of investments in subsidiary undertakings is not less than the aggregate amount at which they are shown in the Company's balance sheet

The principal subsidiaries at 31 July 2012, which all operate in their country of incorporation, are listed below

	Country of incorporation	Interest directly held	Class of capital	Principal activity
Domestic subsidiary undertakings				
Pneupac Limited	England and Wales	100	Ordinary Shares	Non-trading
Graseby Medical Limited	England and Wales	100	Ordinary Shares	Non-trading
Medex Medical Limited	England and Wales	100	Ordinary Shares	Non-trading

SMITHS MEDICAL INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 July 2012

14. STOCK

	31 July 2012 £'000	31 July 2011 £'000
Stock comprises		
Raw materials	4,064	4,576
Work in progress	1,057	1,490
Finished goods	23,881	24,455
	<u>29,002</u>	<u>30,521</u>

15. DEBTORS

	31 July 2012 £'000	31 July 2011 £'000
Amounts falling due within one year		
Trade debtors	19,931	20,151
Amounts owed by Group undertakings	48,664	41,778
Other debtors	-	24
Prepayments and accrued income	842	839
Derivative financial instruments (note 18)	1,269	55
	<u>70,706</u>	<u>62,847</u>
Amounts falling after more than one year		
Other debtors	-	13
Deferred tax	-	2,096
	<u>-</u>	<u>2,109</u>

The "amounts owed by Group undertakings" are not secured and attract interest on non-trading elements at the average rate of 1.46% (2011: 1.35%) in the year. Interest was not charged to Group undertakings on trading balances.

The Company is part of a UK tax group including all the UK based subsidiaries of Smiths Group plc. At 31 July 2011 the Company recognised UK tax assets relating to capital allowances £2,096,219, and other timing differences of £nil. The value of these assets is reviewed regularly and is dependent on the ability to recover them against forecast UK taxable profits of the tax group. Having considered the impact of the increased pension deficit on the outlook for the UK tax base of Smiths Group plc, the Company has decided to derecognise the tax assets at 31 July 2012 because it is no longer probable that they will be recovered.

At 31 July 2012 the Company has unrecognised deferred tax assets of £5,196,654 (2011: £2,096,219) relating to

- capital allowances £4,997,454 (2011: £2,096,219), and
- other timing differences £199,200 (2011: £nil)

These tax allowances remain available to the Company and can be utilised should the UK tax base of Smiths Group plc improve.

SMITHS MEDICAL INTERNATIONAL LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 July 2012****16. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31 July 2012 £'000	31 July 2011 £'000
Trade creditors	6,970	7,396
Amounts owed to Group undertakings	32,302	29,798
Other taxation and social security costs	1,242	1,381
Accruals and deferred income	3,484	3,211
Derivative financial instruments (note 18)	1,003	1,717
	<u>45,001</u>	<u>43,503</u>

The "amounts owed to group undertakings" did not attract interest, and are not secured

17. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 July 2012 £'000	31 July 2011 £'000
20,000 7% preference shares of €2 each (note 20)	<u>34</u>	<u>35</u>

Arrears of dividend amount to €14,000 (2011 €11,200) and have not been accrued

The preference shares are non redeemable

SMITHS MEDICAL INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 July 2012

18. FINANCIAL INSTRUMENTS

Foreign exchange risk

Transactional currency exposure

The Company has transactional currency exposure arising from sales or purchases in currencies other than their functional currency, predominantly USD, EUR, JPY and AUD. In accordance with Smiths Group policy the Company hedges net exposures to agreed sales or purchases which are expected to occur within the next twelve months using forward foreign exchange contracts. This policy minimises the risk that the profits generated from the transaction will be affected by foreign exchange movements which occur after the price has been determined.

Cash-flow hedging

At 31 July 2012, the Company had outstanding foreign currency contracts designated as hedging instruments in cash-flow hedges of future foreign currency sales and purchases with a nominal value of £93,147,000 (2011: £46,612,000). The fair value of the hedging instruments are disclosed in the derivative table below.

The majority of hedged transactions will be recognised in the income statement in the same period as the cash-flows are expected to occur, with the only differences arising as a result of normal commercial credit terms on sales and purchases. The maturity profiles of the foreign currency contracts are as follows:

	31 July 2012 £'000	31 July 2011 £'000
Maturing within six months	548	(1,256)
Maturing between six and twelve months	(282)	(406)
Total fair value of foreign currency contracts	266	(1,662)

The movements relating to cash flow hedging and resulting in a £1,458,000 profit (2011: £2,114,000 loss) being recognised directly in reserves during the financial year are summarised in the table below:

	31 July 2012 £'000	31 July 2011 £'000
Net cash-flow hedge (losses)/gains deferred in reserves at start of year	(1,377)	737
Profits/(losses) on effective cash-flow hedges recognised in reserves	1,283	(1,070)
Amounts removed from reserves and recognised in the income statement	175	(1,044)
Net cash-flow hedge gains/(losses) deferred in reserves at end of financial year	81	(1,377)

SMITHS MEDICAL INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 July 2012

18. FINANCIAL INSTRUMENTS (continued)

Financial derivatives

The tables below set out the nominal amount and fair value of derivative financial instruments held by the Company

	Contract or underlying nominal amount		Fair value		
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000	Net £'000
At 31 July 2012					
Foreign exchange contracts (cash flow hedges)	47,683	45,464	1,269	(1,003)	266
Balance sheet entries					
Debtors falling due within one year			1,269		
Debtors falling due after one year					
Creditors due in less than one year				(1,003)	
Creditors due in more than one year					
Total financial derivatives			1,269	(1,003)	266

	Contract or underlying nominal amount		Fair value		
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000	Net £'000
At 31 July 2011					
Foreign exchange contracts (cash flow hedges)	7,512	39,100	55	(1,717)	(1,662)
Balance sheet entries					
Debtors falling due within one year			55		
Debtors falling due after one year					
Creditors due in less than one year				(1,717)	
Creditors due in more than one year					
Total financial derivatives			55	(1,717)	(1,662)

Fair value of financial instruments

The fair values of financial assets and financial liabilities are the amounts at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale

Forward foreign exchange contracts are valued using market valuations at the balance sheet date
Embedded derivatives are valued using the net present value of discounted cash-flows and market prices for forward foreign exchange contracts

All financial instruments are recognised on the balance sheet at a value which is not materially different from their fair value

The primary currencies are USD, EUR, JPY, AUD, CAD, SEK, and ZAR

SMITHS MEDICAL INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 July 2012

19. PROVISIONS FOR LIABILITIES AND CHARGES

	Warranty provision and product liability £'000	Property £'000	Reorgan isation £'000	Litigation £'000	Total £'000
At 1 August 2011	347	1,147	589	-	2,083
Utilised during the year	(234)	-	(469)	-	(703)
Charged to profit and loss account	234	19	47	105	405
Released to profit and loss account	-	-	-	-	-
At 31 July 2012	347	1,166	167	105	1,785

Warranty and product liability provisions are made for the likely costs of after sales support based on recent past experiences of the business. These are expected to be utilised over the period of the applicable liability.

Property provisions are made for the likely costs of dilapidation of leased premises and are expected to be utilised during the term of the applicable lease.

Reorganisation relates to the closure of the Watford sites. The provision is expected to be utilised within a period of nine months.

Litigation provision relates to potential third party claims against the Company, and is expected to be utilised within a period of nine months.

SMITHS MEDICAL INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 July 2012

20. CALLED UP SHARE CAPITAL

	31 July 2012 £'000	31 July 2011 £'000
EQUITY SHARES		
Authorised		
50,000 (2011 50,000) ordinary shares of £1 each	<u>50</u>	<u>50</u>
Issued and fully paid		
43,217 (2011 43,217) ordinary shares of £1 each	<u>43</u>	<u>43</u>

21. RESERVES

	Share premium account £'000	Capital reserve £'000	Hedge reserve (note 18) £'000	Profit and loss account £'000
At 1 August 2011	71,340	2,564	(1,377)	10,590
Profit for the financial year	-	-	-	9,091
Dividend paid	-	-	-	(10,000)
Total recognised gains for the financial year	-	-	1,458	-
Capital contribution (note 26)	-	148	-	-
At 31 July 2012	<u>71,340</u>	<u>2,712</u>	<u>81</u>	<u>9,681</u>

22. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 July 2012 £'000	31 July 2011 £'000
Profit for the financial year	9,091	11,433
Fair value movements on cash-flow hedges (note 18)	<u>1,458</u>	<u>(2,114)</u>
Total recognised gains relating to the year	10,549	9,319
Capital contribution (note 26)	148	181
Dividends paid	(10,000)	(35,600)
Net increase/(reduction) to shareholders' funds	<u>697</u>	<u>(26,100)</u>
Opening shareholders' funds	83,160	109,260
Closing shareholders' funds	<u>83,857</u>	<u>83,160</u>

SMITHS MEDICAL INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 July 2012

23. OPERATING LEASE COMMITMENTS

At 31 July 2012, the Company had annual commitments under non-cancellable operating leases as follows

	Land & Buildings		Other	
	31 July 2012 £'000	31 July 2011 £'000	31 July 2012 £'000	31 July 2011 £'000
On contracts expiring				
Within one year	-	-	32	41
After one and within five years	1,087	387	370	267
After five years	643	703	-	-
Total	<u>1,730</u>	<u>1,090</u>	<u>402</u>	<u>308</u>

24. CAPITAL COMMITMENTS

	31 July 2012 £'000	31 July 2011 £'000
Contracts placed for future capital expenditure not provided in the financial statements	<u>415</u>	<u>220</u>
Future capital expenditure authorised by directors but not contracted and not provided in the financial statements	<u>4,484</u>	<u>2,360</u>

25. PENSIONS

Staff of the Company participated in the Smiths Industries Pension Scheme and the TI Group Pension Scheme, defined benefit pension plans based in the UK. With effect from 1 January 2006, a number of employees of the Company who are members of this scheme became employees of the ultimate parent Company, Smiths Group plc, and now perform their services under contract from that Company. These pension schemes were closed with effect from 31 October 2009. The Company provides a defined contribution pension plan for its employees.

The assets of the Smiths Industries Pension Scheme are held in a separate trustee-administered fund and the pensions costs are assessed in accordance with the advice of independent, professionally-qualified actuaries. Further details of these pension plans, the actuarial assumptions used and the latest actuarial valuations can be found in the consolidated financial statements of Smiths Group plc for the year ended 31 July 2012.

The Company has no pension cost in respect of the defined benefit pension plans because the Company contributions are set with respect to the current service period only and the schemes are closed. The Company has accounted for these plans as if the scheme was a defined contribution scheme, because of the basis on which its contributions are assessed. In 2013 the Company does not expect to make any payments in respect of the defined benefit pension plans.

The total expense recognised in the income statement in respect of defined contribution pensions was £1,909,000 (2011: £1,987,000).

SMITHS MEDICAL INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 July 2012

26. SHARE BASED COMPENSATION

The Group operates share schemes and plans for the benefit of employees. The nature of the principal schemes and plans under which grants have been made to Group employees working for Smiths Medical International Limited is set out below.

Smiths Group Sharesave Scheme (SAYE)

The SAYE scheme is an HM Revenue & Customs-approved all-employee savings-related share option scheme which is open to all UK employees, including directors, with 12 months' service or more. Participants enter into a contract to save a fixed amount per month of up to £250 in aggregate for three or five years and are granted an option over shares at a fixed option price, set at a 20% discount to market price at the date of invitation to participate. In the case of five-year savings contracts, participants can elect to delay maturity of the contract until its seventh anniversary. The number of shares comprising the option is determined by the monthly amount saved and the bonus paid on maturity of the savings contract. Options granted under the SAYE scheme are not subject to any performance conditions.

Smiths Industries 1995 Executive Share Option Scheme (95 ESOS)

Options granted under the 95 ESOS can only be exercised after three years if a performance requirement, determined by the Remuneration Committee, has been met. Options granted under the 95 ESOS up to 2001 are subject to performance testing based on total shareholder return of the Group versus the total return of the General Industrials Sector of the FTSE All Shares Index. Options granted from 2002 are subject to a performance test based on growth in the Group's earnings per share. If the performance requirement is not satisfied at the end of the third year, the performance period may be extended for up to two further years so that performance is tested over a four-year period at the end of the fourth year and a five-year period at the end of the fifth year. The performance requirement is that the growth in the Group's normalised earnings per share over the three/four/five financial years beginning immediately prior to the option grant must exceed the increase in the UK Retail Prices Index over the same period by 3% per annum (for options up to one times base salary) and by 4% per annum (for the excess up to two times base salary). No grants under the 95 ESOS were made in the 2011/12 financial year.

Value Sharing Plan (VSP)

The VSP is a long-term incentive plan approved by the shareholders in July 2008 rewarding executives for value creation at Group and Divisional levels. The first grant was made in the financial year 2008/09 based on performance over three-year and four-year periods commencing with the 2008/09. The second grant was made in 2010/11 based on performance over a three-year period. Executives with divisional responsibilities will be rewarded for value creation within the division for which they are responsible. The divisional awards will depend on meeting an internal value growth target set for the division in which the participant works.

SMITHS MEDICAL INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 July 2012

26. SHARE BASED COMPENSATION (continued)

Share options movement table

The following table summarises the options over Smiths Group plc shares issued since 7 November 2002 to employees working for the Company

	SAYE	ESOS	DSS/CIP	VSP	Total	Weighted average price for option plans £
Ordinary shares under option						
1 August 2011	301,772	180,866	12,241	-	494,879	7 75
Granted	62,973	-	5,660	-	68,633	7 44
Exercised	(54,226)	(56,000)	-	-	(110,226)	7 68
Lapsed	(29,422)	(20,750)	(17,901)	-	(68,073)	6 78
Transferred (to)/from other Smiths Companies	1,422	-	-	-	1,422	6 54
31 July 2012	282,519	104,116	-	-	386,635	7 87

At 31 July 2012 there were 3,500 (2011 33,500) ordinary shares under option in respect of options issued before 7 November 2002 with a weighted average exercise price of £6 54 (2011 £7 90)

Options were exercised on an irregular basis during the year and the average closing share price of Smiths Group plc over the financial year was 995 15p (2011 1,240 24p) There has been no change to the effective option price of any of the outstanding options during the year

Assumptions underlying share options valuations

For the purposes of valuing options to arrive at the share-based payment charge, the Binomial option pricing model has been used for most schemes and the Monte Carlo method is used for schemes with total shareholder return performance targets The key assumptions used in the models for 2012 and 2011 are volatility of 30% (2011 30%) and dividend yield of 3 75% (2011 3 75%) Assumptions on expected volatility and expected option term have been made on the basis of historical data, wherever available, for the period corresponding with the vesting period of the option Best estimates have been used where historical data is not available in this respect These generated a weighted average fair value for CIP of £9 64 (2011 £12 40) and SAYE of £2 54 (2011 £2 68)

Included within administrative expenses is an expense arising from share-based payment transactions of £148,000 (2011 £181,029), all of which relates to equity-settled share-based compensation

27. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption provided by Paragraph 3(c) of 'FRS 8 Related party disclosures' not to disclose transactions with entities that are, directly or indirectly, wholly owned by Smiths Group plc

28. ULTIMATE PARENT UNDERTAKING

For the year ended 31 July 2012, Smiths Medical International Limited was a wholly owned subsidiary of Smiths Medical Group Limited

The ultimate parent undertaking and controlling party is Smiths Group plc, which is the parent undertaking of the smallest and largest group to consolidate these financial statements Smiths Group plc is incorporated in the United Kingdom and registered in England and Wales

The annual report and financial statements of Smiths Group plc may be obtained from the Company Secretary, Smiths Group plc, Cardinal Place, 80 Victoria Street, London, SW1E 5JL