Registered number: 00362847

SMITHS MEDICAL INTERNATIONAL LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2020

COMPANY INFORMATION

Directors	Louis Jones Nigel Bark Jonathan White (appointed 1 November 2020)
Company secretary	Joanne Ede
Registered number	00362847
Registered office	1500 Eureka Park Lower Pemberton Ashford Kent TN25 4BF
Independent auditors	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

SMITHS MEDICAL INTERNATIONAL LIMITED

CONTENTS

STRATEGIC REPORT
FOR THE FINANCIAL YEAR ENDED 31 JULY 2020

Introduction

The directors present their Strategic Report on Smiths Medical International Limited for the year ended 31 July 2020.

Business review

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 profit before taxation of £19,549,000 (2019: £20,920,000) and turnover of £290,316,000 (2019: £253,994,000). The retained earnings (Profit and loss account) as at 31 July 2020 amounted to £153,004,000 (2019: £132,179,000).

The business has seen a increase in revenue of £36,322,000 compared to 2019. The key drivers of this increase were an increased demand in certain product lines as a result of the global pandemic towards the end of the financial year. Additionally Smiths Medical participated in the UK Ventilator Challenge leading a consortium to substantially increase ventilator production following a government initiative. The company's gross margin has declined by 1.0%, impacted by product mix and some price erosion. Expenses where largely in line with previous years, although a negative impact of foreign exchange and increased exceptional costs lead to an overall rise.

Net current assets have grown with increases across all lines, fixed assets due to the introduction of IFRS16, Stock, Debtors and Creditors due to the impact of Covid-19 on the demands to the business. All current assets have been subject to the usual provisioning methodologies.

Exceptional items included restructuring costs relating to retention bonuses and legal expenditure incurred in the demerger project, and disposal of stock relating to a previous sale of customer list.

The Company relies on its ultimate parent, Smiths Group Plc, for funding. The Company has obtained a letter of support from the ultimate parent, Smiths Group Plc, to ensure that the Company can meet its liabilities as they fall due for a period of at least 12 months from the date of the approval of the financial statements. In light of the ongoing demerger process of the Smiths Medical business, including the Company, there is uncertainty over the eventuality and timing of any demerger of the Company within that 12 month period. In the event of demerger of the Company, the letter of support provided by the ultimate parent Smith Group Plc, will cease. As at the date of approval of these financial statements, the directors are not aware of the financing arrangements that may be put in place by any new owner, and consequently there is uncertainty over whether the Company will be able to meet those obligations as they fall due for a period of at least 12 months from the date of the approval of the financial statements. These circumstances indicate the existence of a material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern. These financial statements do not contain the adjustments that would be necessary if the Company were unable to continue as a going concern.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of Smiths Group plc and are not managed separately. Accordingly, the principal risks and uncertainties of Smiths Group plc, which include those of the Company, are discussed in the Group's annual report; which do not form part of this report.

STRATEGIC REPORT (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2020

Financial 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 http://www.smiths.com.

Directors' statement of compliance with duty to promote the success of the Company

The directors understand the importance of their section 172 duty to act in good faith to promote the success of the Company. When making decisions, the interests of any key relevant stakeholders will always be considered by Smith's Executive Committee, including employees, suppliers, customers, investors, the community and the environment.

This report was approved by the board and signed on its behalf.

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Louis Jones
Director

Date: 16/4/2021

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 JULY 2020

The directors present their report and the financial statements for the financial year ended 31 July 2020.

Directors' responsibilities statement

The directors are responsible for preparing the Annual 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 FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards comprising FRS 101 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity

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.

Results and dividends

The profit for the financial year, after taxation, amounted to £20,424,000 *(2019 - £21,406,000).*

Dividends of £2,000 (2019: £100,028,000) were authorised and paid during the year. The Directors do not recommend payment of a dividend for the year ended 31 July 2020 (2019: £nil).

Directors

The directors who served during the financial year were:

Louis Jones
Nigel Bark
Gregory McGrath (resigned 1 November 2020)

Future developments

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

Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire.

Section 172(1) statement

he Directors of Smiths Medical International Limited (the "Company") provide the following statement pursuant to the Companies Act 2006 (as amended by Companies (Miscellaneous Reporting) Regulations 2018) (the "Act") to describe how they have acted in accordance with their duty under s.172 of the Act to promote the success of the Company for the benefit of its member(s) as a whole, and in so doing, how they have had regard to those factors set out in 172 (1) (a) to (f) of the Act during the financial year.

The directors, in line with their duties under section 172 of the Companies Act 2006, have acted in a way they considered, in good faith, to be most likely to promote the success of the Company for the benefit of its members. As part of the Company's deliberations and decision making process, the Board takes into the account the:
(i) likely consequences of any decision in the long term;
(ii) the interests of the company's employees;
(iii) the need to foster the company's relationship with suppliers, customers and others;
(iv) the impact of the company's operations on the community and the environment; and
(v) the desirability of the company maintaining a reputation for high standards of business conduct. Further information about how these duties have been applied can be found below.

The Company is part of the Smiths Group Plc and follows a range of group-wide policies in place to protect employees and provide a safe working environment, to ensure compliance with all regulatory requirements and adherence to the highest professional and ethical standards in dealing with clients, suppliers and colleagues, and to ensure that it continues to operate in a socially responsible and compliant manner, and manages environmental sustainability.

The Directors engage directly with stakeholders wherever appropriate however the size of the Group means that stakeholder engagement often takes place at an operational or group level. This allows for greater efficiency and facilitates a greater positive impact on environmental, social and other issues. Further explanations of how the Group board has considered matters set out in section 172 can be found on pages 80 of the Group Annual Report and Accounts for the year ended 31 July 2020, which does not form part of this report.

Consequesnces of decisions in the long run

Smiths Medical's strategy is to become a leading medication management solutions company with a complementary vital care offering. We believe we will achieve this with commercially focused innovation, differentiation in our customer support model, and delivery of complete solutions that optimise patient outcomes. We will continue to enhance both our own R&D and our external partnerships to execute our strategy in line with healthcare megatrends.

In order to invest in our future, we will continue to improve efficiency and operational excellence. Part of this investment, besides customer solutions, will include further developing our people. We will drive growth in developed markets through investments in premium product segments. We will also continue to improve our capabilities in emerging markets outside of North America and Western Europe, enhancing our current global footprint and sales reach. In addition, we will continue to pursue channel optimisation in hospitals and alternate sites of care.

On 31 March Smiths Group plc announced that there would be a delay to the separation of Smiths Medical. The separation was on track to complete by the end of the first half of 2020, but COVID-19 was creating increased economic uncertainty and after careful consideration the Board agreed that it would no longer be practicable to deliver value for all stakeholders in that timeframe. The Directors agreed that Smiths and Smiths Medical needed to focus on responding to the external challenges facing both the Group and the communities in which it operates.

During the first half of FY2020, the Board received regular updates on the work to prepare for the separation. The Transaction Committee, established in FY2019 and comprised of Non-executive Directors, met regularly between Board meetings to provide support and oversight of the separation process. The decision to delay the separation impacted various stakeholders, including people working for Smiths Medical and the remaining Smiths Group, Smiths Group plc shareholders and the wider community. Financial markets and our customers had reacted positively to the proposed separation. However, the Board collectively agreed the proposed timetable would no longer be viable in the circumstances. In addition, there was an increased opportunity to support the wider community in the production of ventilators and other critical care devices. Direct engagement with stakeholders was limited due to the sensitivity of information, and the rapidly evolving external environment.

An additional Board meeting was scheduled for April 2020 in order to discuss, among other things, the stakeholder response to the announcement. The Directors considered the long-term consequences of their decision to delay and it continues to be the Board's intention to separate Smiths Medical. In the short term it was necessary for Smiths Medical to focus on providing medical equipment, fulfilling this obligation in line with the Smiths culture and values.

The global COVID-19 pandemic has and is driving unprecedented impacts on the Smiths Medical business. Demand for items such as ventilators and supporting accessories, other airway management products and infusion pumps and accessories, which are used to treat and care for impacted patients, saw substantial demand increases. At the same time, elective procedures have been restricted, if not altogether cancelled, resulting in worldwide decreasing demand on other segments of the business, also impacting inventory. We believe we are well positioned to support our customers and their patients for subsequent waves ofthe pandemic.

Engagement with employees

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. We recruit, support and promote our people on the basis of their qualifications, skills, aptitude and attitude. In employment-related decisions, we comply with all applicable antidiscrimination requirements in the relevant jurisdictions. We have zero tolerance for discrimination and harassment.

People with disabilities are given full consideration for employment and subsequent training (including retraining, if needed, for people who have become disabled), career development and promotion on the basis of their aptitude and ability. We endeavour to find roles for those who are unable to continue in their existing job because of disability. The Company has anti-discrimination and flexible working policies, that ensure any employee who becomes disabled during the year is protected and the company will provide support and make reasonable adjustments to ensure they are able to continue to perform their role.

The company has continued to send regular updates, information and announcements as well as hold regular "All Hands" Townhall meetings to ensure employees are updated on all relevant information as well as inviting questions from employees. 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. As part of the regular "All Hands" Townhall meetings employees are updated on the performance of the organisation, these updates cover both the region and the Global performance of the organisation.

We want our people to feel their contributions are recognised and appreciated. We celebrate colleagues for their work and for embodying our values. Recognition can and should happen every day, which is why appreciation is embedded in our leadership behavioural commitments. We have a wide range of formal recognition activities, including peer to peer thank you e-cards, long service and on-the-spot recognition, as well as certificates and badges with our Smiths Excellence System programmes and accreditations.

Each year we host our annual Smiths Excellence Awards, showcasing and celebrating the very best colleague achievements and projects across Smiths. This culminates in the award of the Smiths Cup to the project or team which best demonstrates our values in action. We understand that when our colleagues feel valued, their satisfaction and productivity increases, they are motivated to maintain or improve their good work, and they are more engaged.

The company holds an annual confidential "MY SAY" engagement survey that ask employees for their views and feeling on a number of key areas, this independent survey is used to measure engagement and other business indicators. All comments and concerns are reviewed and major themes are addressed. In the last two years of our My Say employee feedback survey, recognition has improved by 5 points, demonstrating the success of our programmes.

Engagement with suppliers, customers and others

The Board considers its stakeholders to be our shareholders, customers, employees and wider workforce, suppliers, local communities and governments, lenders and the environment and also took account the views and interests of a wider set of stakeholders including our regulators, the government, and non-government organisations. The Board recognises that building strong relationships with our stakeholders will help deliver the Company's strategy in line with its long-term values and operate the business in a sustainable way.

The Company is part of the Smiths Group and is ultimately owned by Smiths Group plc ('Group'), which is responsible for setting the overall strategy of the Group maintaining oversight of the Group's activities and setting its risk appetite. The Board will sometimes engage directly with certain stakeholders on specific issues, but the size and distribution of our stakeholders and of the Group means that stakeholder engagement often takes place at an operational level. In these instances, the Board is informed of stakeholder views through management reports and presentations.

Customer relationships are typically held in the divisions at an appropriate level. We aim to form strong bonds and work in close partnership with many customers so that we better understand their goals and needs, and are able to move fast to respond to opportunities and/or to improve the way we work. Many of our customers are in critical industries and customers have been at the centre of our considerations during the COVID-19 pandemic. Our aim has been to prove that we stand by them no matter what, making every effort possible to fulfil our obligations and, through excellent people and processes, meet the high standards they have come to expect from the company.

We aim to build supplier relationships based on mutual confidence and respect, balanced and appropriate risk apportionment, and a return for all partners. All Smiths suppliers are approved prior to any business award. Key suppliers are allocated a strategic status (strategic, preferred, competitive, transactional) to specify supplier management activities and this status is reviewed periodically. We meet suppliers to review performance, discuss new business opportunities, set goals and work on improvement areas.

The Company is a wholly owned member of the Smiths Group Plc and operates as part of the Group in delivering its strategic objectives, in line with local Company policies and Smiths Group-wide processes, initiatives (for other stakeholders, including employees and clients), governance and culture with alignment with group-wide risk, governance, compliance and financial priorities.

Most decisions made by the Board during the year are deemed to be routine in nature and are taken on regular basis.

Impact of operations on the community and the environment

We are contributing to the protection of the planet both through products which help our customers fulfil their own environmental responsibilities and through proactive management of the environmental impact of our operations. This includes the prevention of pollution, driving down our use of energy and natural resources, reducing carbon emissions and minimising waste. We support transparency in environmental matters so that our stakeholders, including our colleagues and potential colleagues, understand our priorities and our progress. We also recognise the importance of environmental governance at the highest level of the organisation.

Environmental governance flows from the Smiths Group Board to every Smiths site. The Board and Executive Committee oversee planning and target setting, and monitor environmental performance and environmental matters via a report that is prepared for every Board and Executive Committee meeting.

During FY2020 we completed a systematic climate-related risk assessment with a five-year time horizon. This was supplemented by a risk assessment workshop held centrally to review Group climate-related risk on a 20-year time horizon. The results of these risk assessments were presented to the Group Board and Executive Committee. The assessment did not identify any nearterm significant climate-related risks from internal operations. However, the Smiths Executive Environmental Roundtable (EER) at the group intends to further develop this area of work.

Smiths direct economic contribution to communities around the world is through taxes paid, employee costs and supplier costs. During the COVID-19 pandemic many of our efforts have been directed towards supporting local communities through the disease, including contributing equipment to local services. The company played a central role in the VentilatorChallengeUK consortium which called on teams from across the Group and other manufacturers and suppliers to help with the production of Smiths Medical paraPAC plusTM ventilators to support the UK Government and the NHS to help save lives during the pandemic and beyond.

Maintaining high standard of business conduct

Our Code of Business Ethics provides guidance for colleagues to recognise and deal appropriately with legal and ethical issues they encounter in the course of their work. This is supplemented by a suite of policies and procedures relating to specific ethics and compliance issues, and associated training, some of which is mandatory for all colleagues.

Our central ethics and compliance function oversees our ethics and compliance programmes, determines a common language for ethics across Smiths and focuses work on new and/or higher risk areas. Internal Audit verifies that procedures and responsibilities are understood and functioning correctly. Other compliance matters and day-to-day responsibility for ethics and compliance are held by our operational and Legal teams. The Smiths Board and Executive Committee are engaged through our risk management processes and encourage direct and open discussion should a matter require attention.

DIRECTORS' REPORT (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2020

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

Although Smiths Groups plan to separate the Medical business has been delayed by COVID 19, this intention remain unchanged and the separation, likely by way of a separate listing, is expected to occur before 31st July 2021.

Following the exit of the UK from the European Union ('EU') on 31 January 2020, the 12 months transition period ended on 31 December 2020 with the UK leaving the EU after negotiating a trade deal. The directors believe there has been no impact on the company as it does not carry out any trading and is therefore not directly impacted by the UK's exit from the EU. The directors have also determined that these events are nonadjusting subsequent events. Accordingly. the financial position and result of the operations as of and for the year ended 31 July 2020 have not been adjusted.

Auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

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Louis Jones
Director

Date: 16\2\2021

Independent auditors' report to the members of Smiths Medical International Limited

Report on the audit of the financial statements

Opinion

In our opinion, Smiths Medical International Limited 's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statement (the "Annual Report"), which comprise: the balance sheet as at 31 July 2020; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2.3 to the financial statements concerning the company's ability to continue as a going concern. The Company's parent has guaranteed financial support for the lower of 12 months from the date of the approval of the financial statements or the date that the Company is demerged, which is expected during the period. This support is therefore not being guaranteed to cover a 12 month period from the date of the approval of the financial statements. Without this support, the Company may be unable to meet its liabilities as they fall due. These conditions, along with the other matters explained in note 2.3 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Independent auditors' report to the members of Smiths Medical International Limited

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 July 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

Independent auditors' report to the members of Smiths Medical International Limited

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

A. Barford

Andrew Barford (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
16 April 2021

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 JULY 2020

	Note	2020 £000	*2019 £000*
Turnover	5	290,316	*253,994*
Cost of sales		(219,148)	*(188,149)*
Gross profit		71,168	*65,845*
Distribution costs		(18,262)	*(15,709)*
Administrative expenses		(29,756)	*(29,353)*
Exceptional items		(4,457)	*(2,148)*
Operating profit	6	18,693	*18,635*
Interest receivable and similar income	10	1,061	*2,101*
Interest payable and similar expenses	11	(288)	*(152)*
Other finance income/(expense)		83	*336*
Profit before tax		19,549	*20,920*
Tax on profit	12	875	*486*
Profit for the financial year		20,424	*21,406*
Other comprehensive (expense)/income:			
Items that will not be reclassified to profit or loss:			
Net fair value (losses)/gains on cash-flow hedges		(1,362)	*(680)*
		(1,362)	*(680)*
Total comprehensive income for the financial year		19,062	*20,726*

There were no recognised gains and losses for 2020 or 2019 other than those included in the statement of comprehensive income.

The notes on pages 17 to 51 form part of these financial statements.

BALANCE SHEET
AS AT 31 JULY 2020

	Note		2020 £000		2019 £000
Fixed assets					
Goodwill	16		5,534		4,867
			5,534		4,867
Other intangible assets	15		1,887		2,121
Tangible assets	17		10,510		1,918
Investments	18		11,898		11,898
			29,829		20,804
Current assets					
Stocks	19	44,409		36,005	
Debtors	20	224,851		198,376	
Cash at bank and in hand	21	772		659	
		270,032		235,040	
Creditors: amounts falling due within one year	22	(65,589)		(48,686)	
Net current assets			204,443		186,354
Total assets less current liabilities			234,272		207,158
Creditors: amounts falling due after more than one year	23		(7,350)		(215)
			226,922		206,943
Provisions for liabilities					
Other provisions	27	(1,137)		(886)	
			(1,137)		(886)
Net assets			225,785		206,057

BALANCE SHEET (CONTINUED)
AS AT 31 JULY 2020

	Note	2020 £000	2019 £000
Capital and reserves			
Called up share capital	28	**43**	*43*
Share premium account		**71,340**	*71,340*
Hedge reserve		**(985)**	*377*
Capital reserve		**2,383**	*2,118*
Profit and loss account		**153,004**	*132,179*
		225,785	*206,057*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

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Louis Jones
Director
16.4.2021

The notes on pages 17 to 51 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 JULY 2020

	Called up share capital	Share premium account	Hedge reserve	Capital reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000	£000
At 1 August 2018	43	71,340	1,057	1,884	210,801	285,125
Comprehensive income/(expense) for the financial year						
Profit for the financial year	-	-	-	-	21,406	21,406
Fair value movements on cash-flow hedges	-	-	(680)	-	-	(680)
Total comprehensive income for the financial year	-	-	(680)	-	21,406	20,726
Dividends: Equity capital	-	-	-	-	(100,028)	(100,028)
Capital contribution	-	-	-	234	-	234
Total transactions with owners	-	-	-	234	(100,028)	(99,794)
At 31 July 2019	43	71,340	377	2,118	132,179	206,057
Impact on change in accounting policy	-	-	-	-	403	403
At 1 August 2019 (adjusted balance)	43	71,340	377	2,118	132,582	206,460
Comprehensive income for the financial year						
Profit for the financial year	-	-	-	-	20,424	20,424
Fair value movements on cash-flow hedges	-	-	(1,362)	-	-	(1,362)
Total comprehensive income for the financial year	-	-	(1,362)	-	20,424	19,062
Dividends: Equity capital	-	-	-	-	(2)	(2)

STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2020

Capital contribution	-	-	-	265	-	265
Total transactions with owners	**-**	**-**	**-**	**265**	**(2)**	**263**
At 31 July 2020	**43**	**71,340**	**(985)**	**2,383**	**153,004**	**225,785**

The notes on pages 17 to 51 form part of these financial statements.

1. General Information

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. Smiths Medical International Limited is a private company limited by shares and registered, incorporated and domiciled in England, UK. The registered office address is 1500 Eureka Park, Lower Pemberton, Ashford, Kent, TN25 4BF.

As the Company is an indirectly 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.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 4).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraphs 76 and 79(d) of IAS 40 Investment Property; and
  - paragraph 50 of IAS 41 Agriculture
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- Information relating to new IFRS standards which have been issued but which are not yet effective, including an assessment of the possible impact that it will have when it is adopted for the first time (IAS 8.30-31).

2. Accounting policies (continued)

2.3 Going concern

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).

The Company relies on its ultimate parent, Smiths Group Plc, for funding. The Company has obtained a letter of support from the ultimate parent, Smiths Group Plc, to ensure that the Company can meet its liabilities as they fall due for a period of at least 12 months from the date of the approval of the financial statements. In light of the ongoing demerger process of the Smiths Medical business, including the Company, there is uncertainty over the eventuality and timing of any demerger of the Company within that 12 month period. In the event of demerger of the Company, the letter of support provided by the ultimate parent Smith Group Plc, will cease. As at the date of approval of these financial statements, the directors are not aware of the financing arrangements that may be put in place by any new owner, and consequently there is uncertainty over whether the Company will be able to meet those obligations as they fall due for a period of at least 12 months from the date of the approval of the financial statements. These circumstances indicate the existence of a material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern. These financial statements do not contain the adjustments that would be necessary if the Company were unable to continue as a going concern.

2. Accounting policies (continued)

2.4 Impact of new international reporting standards, amendments and interpretations

IFRS 16

The Company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 August 2019.

On transition to IFRS 16, the Company elected to apply the following practical expedients:

- for leases previously classified as operating leases under IAS 17 -
- the Company has applied a single discount rate to a portfolio of leases with similar characteristics.
- the Company has adjusted the right-of-use assets by the amount of IAS 37 onerous contract provisions immediately before the date of initial application, as an alternative to an impairment review.
- the Company has applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of remaining lease term at the date of application.

The following tables summarise the impacts of adopting new reporting standards on the Company's financial statements.

Balance Sheet (extract)

	31 July 2019 As originally presented £000	IFRS 16 £000	1 August 2019 Adjusted balance £000
Goodwill	4,867	-	4,867
	4,867	-	4,867
Fixed assets			
Intangible assets	2,121	-	2,121
Tangible assets	1,918	6,051	7,969
Investments	11,898	-	11,898
	20,804	6,051	26,855
Current assets			
Stocks	36,005	-	36,005
Debtors	198,376	-	198,376
Cash at bank and in hand	659	-	659
Total current assets	235,040	-	235,040

2. Accounting policies (continued)

2.4 Impact of new international reporting standards, amendments and interpretations (continued)

Balance Sheet (extract) (continued)

	31 July 2019 As originally presented £000	IFRS 16 £000	1 August 2019 Adjusted balance £000
Creditors: amounts falling due within one year	(48,686)	(1,319)	(50,005)
Total assets less current liabilities	207,158	4,732	211,890
Creditors: amounts falling due after more than one year	(215)	(4,329)	(4,544)
Other provisions	(886)	-	(886)
Net assets	206,057	403	206,460
Capital and reserves			
Called up share capital	43	-	43
Share premium account	71,340	-	71,340
Hedge reserve	377	-	377
Capital reserve	2,118	-	2,118
Profit and loss account	132,179	403	132,582
	206,057	403	206,460

2. Accounting policies (continued)

2.5 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is pounds sterling (£).

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

2.6 Turnover

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

The Company has contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company adjusts the transaction prices of these contracts for the time value of money. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised on the satisfaction of performance obligations, such as the transfer of a promised good, identified in the contract between the Company and the customer.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Rendering of services

Revenue from providing services is recognised in the accounting period in which the services are rendered.

For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

2. Accounting policies (continued)

2.7 Cost of sales, distribution and administrative expenses

Cost of sales refers to the costs directly associated with generating revenue and include cost of materials, labour and production overheads. Distribution costs include selling and marketing costs and include costs related to payroll, commissions, warehouse and transport. Administrative expenses include general management and professional costs including depreciation and amortisation. Employee benefit, depreciation and amortisation costs are covered in Note 7, 15 and 16 respectively.

Further details of exception costs can be found in Note 13.

2.8 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

Development costs are recognised as intangible assets where the following criteria are met:

• It is technically feasible to complete the product so that it will be available for use;
• Management intends to complete the product and use or sell it;
• There is an ability to use or sell the product;
• It can be demonstrated how the product will generate probable future economic benefits;
• Adequate technical, financial and other resources to complete the development and to use or sell the product are available; and
• The expenditure attributable to the product during its development can be reliably measured.

2.9 Interest receivable and similar income

Interest income is recognised in profit or loss using the effective interest method.

2.10 Interest payable and similar expenses

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2. Accounting policies (continued)

2.11 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.12 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Balance Sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the profit or loss is charged with fair value of goods and services received.

For cash-settled share-based payment, a liability is recognised based on the fair value of the payment earned by the balance sheet date. For equity-settled share-based payment, the corresponding credit is recognised directly in reserves.

2. Accounting policies (continued)

2.13 Current and deferred taxation

The tax expense for the financial year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Smiths Medical operates and is subject to taxation in many countries. Tax legislation is different in each country, is often complex and is subject to interpretation by management and government authorities. These matters of judgement give rise to the need to create provisions for uncertain tax positions which are recognised when it is considered more likely than not that there will be a future outflow of funds to a taxing authority. Provisions are made against individual exposures and take into account the specific circumstances of each case, including the strength of technical arguments, recent case law decisions or rulings on similar issues and relevant external advice.

2.14 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

2. Accounting policies (continued)

2.15 Goodwill

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued.

When a business combination agreement provides for an adjustment to the cost of the combination which is contingent on future events, the company includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably. However, if the potential adjustment is not recognised at the acquisition date but subsequently becomes probable and can be measured reliably, the additional consideration shall be treated as an adjustment to the cost of the combination. Changes in the estimated value of contingent consideration arising on business combinations completed as a consequence result in a change in the carrying value of the related goodwill.

Goodwill is capitalised as an intangible asset and is not amortised. Instead it is reviewed annually for impairment with any impairment in carrying value being charged to profit or loss. The Companies Act 2006 requires acquired goodwill to be reduced by provisions for depreciation calculated to write off the amount systematically over a period chosen by the directors, not exceeding its useful economic life. It has been deemed, however, the non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view. The effect of this departure has not been quantified because it is impracticable and, in the opinion of the directors, would be misleading.

2.16 Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Amortisation is provided on the following basis:

Computer software	- 10% to 33%
Development	- 10% to 33%

2.17 Development costs

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.

2.18 Tangible assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

2. Accounting policies (continued)

2.18 Tangible assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- 2%
Short-term leasehold property	- Life of the lease
Plant and machinery	- 10% to 20%
Motor vehicles	- 10% to 33%
Fixtures and fittings	- 10% to 33%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.19 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.20 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.21 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment. Further details are provided in 2.29.

2.22 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.23 Share Capital

Ordinary shares are classified as equity. Preference shares are classified as liabilities. 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.

2. Accounting policies (continued)

2.24 Share premium

The share premium account is the difference in price received for issued shares and the par value.

2.25 Hedge Reserve

The hedge reserve is a fluctuating reserve established against all secured hedge agreements outstanding.

2.26 Capital Reserve

The capital reserve reflects a reserve arising from capital contributions from Group as part of the share based compensation scheme.

2.27 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.28 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.29 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets and financial liabilities are initially measured at fair value.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

Fair value through profit or loss

All of the Company's financial assets are subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses being recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or

2. Accounting policies (continued)

2.29 Financial instruments (continued)

loss includes any dividend or interest earned on the financial asset.

Impairment of financial assets

The Company always recognises lifetime ECL for trade receivables and amounts due on contracts with customers. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Financial liabilities

Fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss, when the financial liability is held for trading, or is designated as at fair value through profit or loss. This designation may be made if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or the financial liability forms part of a group of financial instruments which is managed and its performance is evaluated on a fair value basis, or the financial liability forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at fair value through profit or loss. Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

At amortised cost

Financial liabilities which are neither contingent consideration of an acquirer in a business combination, held for trading, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a financial liability.

2.30 Interest income/expense

Interest income/(expense) is recognised using the effective interest rate method. In calculating interest income/(expense), the effective interest rate is applied to the gross carrying amount of the asset, when the asset is not impaired or to the amortised cost of the liability for interest expense. For financial assets that have been impaired after initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer impaired the interest income calculation reverts to the gross carrying amount.

2.31 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2. Accounting policies (continued)

2.32 Leases

The company leases various offices, warehouses, and vehicles. Rental contracts are typically made for fixed periods but may have extension options.

Contracts may contain both lease and non-lease components. The company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the company is a lessee and for which it has major leases, it has elected not to separate lease and non-lease components and instead accounts for these as asingle lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2020 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 August 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
• Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
• Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
• Amounts expected to be payable by the company under residual value guarantees;
• The exercise price of a purchase option if the company is reasonably certain to exercise that option; and
• Payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.The company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:
• The amount of the initial measurement of lease liability;
• Any lease payments made at or before the commencement date less any lease incentives received;
• Any initial direct costs; and
• Restoration costs.

2. Accounting policies (continued)

2.32 Leases (continued)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the company revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the company.

Lease income from operating leases where the company is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The company did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Low-value assets comprise IT equipment and small items of office furniture. Information about critical accounting estimates and judgements in the application of lease accounting is disclosed in note 3.1 and 3.2.

The company has changed its accounting policy for leases where the company is the lessee. The impact of the change is explained in note 2.4. Prior to this change, leases of property, plant and equipment where the company, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in creditors: amounts falling due within 12 months and the long-term component was included in creditors: amounts falling due after more than one year.

Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there was no reasonable certainty that the company would obtain ownership at the end of the lease term.Leases in which a significant portion of the risks and rewards of ownership were not transferred to the company as lessee were classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

3. Financial risk management policy

Credit risk

The Group is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments, but does not currently expect any counterparties to fail to meet their obligations. Credit risk is mitigated by the Board-approved policy of only placing cash deposits with highly rated relationship bank counterparties within counterparty limits established by reference to their Standard & Poor's long-term debt rating. The company maintains a provision for impairment based upon the expected collectability of debtors. The company sells products and services to a wide range of customers and, therefore, believes there is no material concentration of credit risk.

Liquidity risk

The company manages liquidity risks through cash flow forecasting and managing working capital and capital expenditure requirements.

Currency risk

The Company is exposed to foreign currency risks arising from sales or purchases by businesses in currencies other than their functional currency. When the net foreign exchange exposure to known future sales and purchases is material, this exposure is hedged using forward foreign exchange contracts. The net exposure is calculated by adjusting the expected cash-flow for payments or receipts in the same currency linked to the sale or purchase. 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. Hedge accounting documentation and effectiveness testing are only undertaken if it is cost effective.

4. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The directors believe there are a number of judgements or estimates made by management as disclosed below in the application of Adopted IFRS that have a significant impact on the carrying amounts of assets and liabilities.

Retirement benefits - Judgement

The Company is a sponsoring employer for a UK defined benefit pension scheme. After consideration of the terms of the pension scheme trust, the obligations of the Company, the obligations of the principal employer of the scheme and the behaviour of the pension scheme trustees and the principal employer of the scheme; the Company has determined that it is appropriate under IAS 19: Employee benefits to accounts for its participation in this scheme as if it was a defined contribution scheme. The principal employer agrees with the Company's analysis of the Company's obligations, and has recognised the accounting surplus for the whole scheme in its Company financial statements.

Receivables provisions - Estimate

If the carrying value of any receivable is higher than the fair value, the Company makes provisions writing down the balance to its fair value. The fair value of receivables is considered individually for each customer and incorporates past experience and progress with collecting receivables.

4. Judgments in applying accounting policies (continued)

At 31 July 2020 there were provisions of £3,909,000 (2019: £3,947,000) against gross receivables of £47,278,000 (2018: £27,348,000).

Inventory provisions - Estimate
The calculation of inventory provisions requires estimation by management of the expected value of future sales. If the carrying value of inventory is higher than the expected recoverable value, the Company makes provisions writing inventory down to its net recoverable value. Inventory is initially assessed for impairment by comparing inventory levels to recent utilisation rates and carrying values to historical selling prices. A detailed review is completed for inventory lines identified in the initial assessment considering sales activity, order flow, customer contracts and current selling prices.
At 31 July 2020, there were provisions of £2,199,000 (2019: £2,086,000) against gross inventory of £37,620,000 (2018: £29,917,000).

Lease accounting - Estimate
The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.
• To determine the incremental borrowing rate, the company:
• Where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
• Uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the company, which does not have recent third party financing; and
• Makes adjustments specific to the lease, e.g. term, currency and security.

The company used incremental borrowing rates specific to each lease and the rates range between 1.45%-2.98% translating to an average rate of 2.22%.

Lease accounting - Judgement
In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).
• For leases of offices, warehouses and vehicles, the following factors are normally the most relevant:
• If there are significant penalties to terminate (or not extend), the company is typically reasonably certain to extend (or not terminate).
• If any leasehold improvements are expected to have a significant remaining value, the company is typically reasonably certain to extend (or not terminate).
• Otherwise, the company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in offices and warehouse rentals have been included in the lease liability, because the company could not replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

4. Judgments in applying accounting policies (continued)

Leases of buildings typically have lease terms between 1 and 6 years, while plant and machinery generally have lease terms between 1 and 3 years. The company also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value (typically below £5,000). The company applies the 'shortterm lease' and 'lease of low-value assets' recognition exemptions for these leases and recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Taxation - Judgement
The company has recognised deferred tax assets of £6,854,000 (FY2019: £6,002,000) relating to capital allowances. The decision to recognise deferred tax assets requires judgement and it has been concluded that value of the assets in future periods supports recognition.

5. Turnover

The whole of the turnover is attributable to the design, manufacture, distribution and sale of medical devices.

Analysis of turnover by country of destination:

	2020 £000	2019 £000
United Kingdom	68,229	27,555
Rest of Europe	99,963	100,137
Rest of the world	122,124	126,302
	290,316	253,994

6. Operating profit

The operating profit is stated after charging/(crediting):

	2020 £000	2019 £000
Research & development charged as an expense	3,784	3,534
Depreciation of tangible fixed assets	2,455	808
Amortisation of intangible assets, including goodwill	480	642
Exchange differences	1,741	(46)
Defined contribution pension cost	1,030	1,844
Cost of stocks recognised as an expense	2,805	2,378

7. Auditors' remuneration

	2020 £000	*2019 £000*
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	**177**	*136*

Fees payable to the Company's auditor and its associates in respect of:

All other services	**57**	*57*
	57	*57*

8. Employees

Staff costs, including directors' remuneration, were as follows:

	2020 £000	*2019 £000*
Wages and salaries	**22,452**	*21,447*
Social security costs	**2,336**	*2,232*
Other pension costs	**1,030**	*1,844*
	25,818	*25,523*

The average monthly number of employees, including the directors, during the financial year was as follows:

	2020 No.	*2019 No.*
UK	**375**	*384*
Overseas	**145**	*148*
	520	*532*

The average monthly number of employees, including the directors, by function, during the financial year was as follows, Distribution - 151 (2019 - 151), Factory - 104 (2019 - 103), Administration - 88 (2019 - 98), HR - 1 (2019 - 1), Legal - 4 (2019 - 5), Research & Development - 60 (2019 - 61), Sales & Marketing - 112 (2019 - 113)

9. Directors' remuneration

	2020 £000	*2019 £000*
Directors' emoluments	867	*588*
Company contributions to defined contribution pension schemes	34	*61*
	901	*649*

During the financial year retirement benefits were accruing to 3 directors *(2019 - 3)* in respect of defined contribution pension schemes.

The highest paid director received remuneration of £354 thousand *(2019 - £222 thousand)*.

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £18 thousand *(2019 - £26 thousand)*.

10. Interest receivable and similar income

	2020 £000	*2019 £000*
Interest receivable from group companies	1,057	*2,097*
Other interest receivable	4	*4*
	1,061	*2,101*

11. Interest payable and similar expenses

	2020 £000	*2019 £000*
Bank interest payable	25	*42*
Other loan interest payable	85	*110*
Finance leases and hire purchase contracts	178	*-*
	288	*152*

The company initially applied IFRS 16 at 1 August 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. In 2019 there was no interest expense relating to lease liabilities while in 2020 the interest expense is for lease liabilities under IFRS 16.

12. Tax on profit

	2020 £000	*2019 £000*
Corporation tax		
Current tax on profits for the year	(56)	*(88)*
Adjustments in respect of previous periods	33	*(12)*
	(23)	*(100)*
Total current tax	(23)	*(100)*
Deferred tax		
Origination and reversal of timing differences	(852)	*(386)*
Total deferred tax	(852)	*(386)*
Total taxation (credit)	(875)	*(486)*

12. Tax on profit (continued)

Factors affecting tax credit for the financial year

The tax assessed for the financial year is lower than *(2019 - lower than)* the standard rate of corporation tax in the UK of 19.00% *(2019 - 19.00%)*. The differences are explained below:

	2020 **£000**	*2019* *£000*
Profit before tax	**19,549**	*20,920*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2019 - 19.00%)	**3,714**	*3,975*
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**52**	*54*
Capital allowances for financial year in excess of depreciation	**1,267**	*(93)*
Adjustments to tax charge in respect of prior periods	**33**	*(12)*
Non-taxable income	**(100)**	*(190)*
Adjustment in research and development tax credit leading to a decrease in the tax charge	**(68)**	*(109)*
Group relief received for no consideration	**(5,773)**	*(4,111)*
Total tax credit for the financial year	**(875)**	*(486)*

At 31 July 2020 the Company had deferred tax assets of £6,855,000 (2019: £6,002,000) relating to capital allowances, £6,786,000 and other items £69,000.

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.

Factors that may affect future tax charges

Smiths Group does not require UK companies to compensate the surrendering company for the receipt of group relief. As a result, no payments or receipts in respect of group relief have been accrued in the current or prior year, and no payments or receipts will be recognised in future years if other group companies have losses available to surrender.

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate, to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements. In November 2019, the Prime Minister announced that he intended to cancel the future reduction in corporate tax rate from 19% to 17%. This announcement does not constitute substantive enactment and therefore deferred taxes at the balance sheet date continue to be measured at the enacted tax rate of 17%. However, it is possible that the corporation tax rate remains at 19% after 1 April 2020.

13. Dividends

	2020 £000	2019 £000
Ordinary dividends paid	-	100,000
Preference dividends paid	2	28
	2	100,028

14. Exceptional items

	2020 £000	2019 £000
Restructuring costs	4,846	1,122
Gain on disposal of operations	(389)	1,026
	4,457	2,148

Restructuring costs this mostly year relate to redundancy and legal expenditure incurred in the demerger project.

15. Intangible assets

	Computer software £000	Development £000	Total £000
Cost			
At 1 August 2019	17,334	2,706	20,040
Additions - internal	-	246	246
Disposals	(213)	-	(213)
At 31 July 2020	17,121	2,952	20,073
Amortisation			
At 1 August 2019	16,894	1,025	17,919
Charge for the financial year on owned assets	303	177	480
On disposals	(213)	-	(213)
At 31 July 2020	16,984	1,202	18,186
Net book value			
At 31 July 2020	137	1,750	1,887
At 31 July 2019	*440*	*1,681*	*2,121*

16. Goodwill

	2020 £000
Cost	
At 1 August 2019	**9,392**
Additions	**667**
At 31 July 2020	**10,059**
Amortisation	
At 1 August 2019	**4,525**
At 31 July 2020	**4,525**
Net book value	
At 31 July 2020	**5,534**
At 31 July 2019	*4,867*
	4,867

The Company accounts for goodwill in accordance with the requirements of IFRS as applied under FRS 101. As a result, IFRS 3 is applied and goodwill is not amortised. Instead an annual impairment test is performed and any required impairment is recognised in the income statement. The non-amortisation of goodwill is a departure from the Company Law requirement that acquired goodwill should be written off over its useful economic life. The Company has adopted this accounting policy for the overriding purpose of giving a true and fair view by preparing its financial statements in accordance with applicable accounting standards, following the process required by Companies Act 2006 in this situation.

It is not possible to quantify the effect of the departure from the Companies Act, because a finite life for the goodwill has not been identified. However, the effect of amortising over a useful life of 20 years would be a charge of £470,000 (2019: £470,000) against operating profit, and a corresponding reduction in the carrying value of goodwill in the balance sheet.

The accumulated amortisation of goodwill was charged before the transition date to FRS 101 of 1 August 2014 when the financial statements were prepared under different accounting standards.

Goodwill is monitored at the Smiths Medical International Limited level by the Company for internal reporting purposes and therefore Smiths Medical International Limited is treated as one cash generating unit. The recoverable amount of the cash generating unit is assessed annually using a value in use model. Value in use is calculated as the net present value of the projected risk-adjusted post-tax cash flows plus a terminal value of the cash generating unit to which the goodwill is allocated. The key assumptions included in the model is the 5 years of specific cash flows, the terminal growth rate of 1.5% and the discount rate of 10.0%, which are based on our past experiences of the company. The valuation indicates sufficient headroom such that a reasonably possible change to key assumptions is unlikely to result in an impairment of the related goodwill.

17. Tangible assets

	Freehold property £000	Long-term leasehold property £000	Short-term leasehold property £000	Plant and machinery £000	Motor vehicles £000	Fixtures and fittings £000	Total £000
Cost or valuation							
At 1 August 2019	365	-	356	2,886	-	4,995	8,602
Impact of change in accounting policy	-	5,650	-	-	401	-	6,051
At 1 August 2019 (adjusted balance)	365	5,650	356	2,886	401	4,995	14,653
Additions	-	4,301	-	254	221	254	5,030
Disposals	-	-	-	(630)	(7)	(283)	(920)
At 31 July 2020	365	9,951	356	2,510	615	4,966	18,763
Depreciation							
At 1 August 2019	365	-	356	2,083	-	3,880	6,684
Charge for the financial year on owned assets	-	-	-	177	-	464	641
Charge for the financial year on right-of-use assets	-	1,622	-	-	192	-	1,814
Disposals	-	-	-	(602)	(7)	(277)	(886)
At 31 July 2020	365	1,622	356	1,658	185	4,067	8,253
Net book value							
At 31 July 2020	-	8,329	-	852	430	899	10,510
At 31 July 2019	*-*	*-*	*-*	*803*	*-*	*1,115*	*1,918*

Tangible assets includes cost for fully depreciated property, plant and equipment that is still in use totalling £4,425,000 (2019 - £3,844,000)

17. Tangible assets (continued)

The net book value of owned and leased assets included as "Tangible fixed assets" in the Balance Sheet is as follows:

	2020 £000
Tangible fixed assets owned	1,751
Right-of-use tangible fixed assets	8,759
	10,510

Information about right-of-use assets is summarised below:

Net book value

	2020 £000
Property	8,329
Motor vehicles	430
	8,759

Depreciation charge for the financial year ended

	2020 £000
Property	(1,622)
Motor vehicles	(192)
	(1,814)

Additions to right-of-use assets

	2020 £000
Additions to right-of-use assets	4,522

18. Investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 August 2019	11,898
At 31 July 2020	11,898

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding
01148992 - Pneupac Limited	Ordinary	100%
00995550 - Graseby Medical Limited	Ordinary	100%
03010295 - Medex Medical Limited	Ordinary	100%

All of the above are dormant companies with a registered office address at 1500 Eureka Park, Lower Pemberton, Ashford, Kent, TN25 4BF, and are incorporated in England, UK.

An annual impairment review is carried out on investments to ensure they are held at the correct carrying value.

19. Stocks

	2020 £000	*2019 £000*
Raw materials and consumables	3,844	*1,870*
Work in progress (goods to be sold)	413	*368*
Finished goods and goods for resale	40,152	*33,767*
	44,409	*36,005*

Write-down of stocks charged as an expense was £2,805,000 (2019: £2,378,000).

20. Debtors

	2020 £000	*2019 £000*
Due after more than one year		
Deferred tax asset	6,785	*5,918*
Financial instruments	92	*147*
	6,877	*6,065*
Due within one year		
Trade debtors	43,082	*22,949*
Amounts owed by group undertakings	169,917	*165,323*
Other debtors	2,854	*235*
Prepayments and accrued income	1,066	*820*
Tax recoverable	112	*177*
Deferred taxation	69	*84*
Financial instruments	874	*2,723*
	224,851	*198,376*

Amounts owed by group undertakings are unsecured and payable on demand, and include a loan of £153,601,000 (2019: £140,001,000) bearing interest at 12 month GBP LIBID.

21. Cash at bank and in hand

	2020 £000	*2019 £000*
Cash at bank and in hand	772	*659*
	772	*659*

22. Creditors: Amounts falling due within one year

	2020 £000	*2019 £000*
Trade creditors	**11,851**	*7,633*
Amounts owed to group undertakings	**34,884**	*35,907*
Other taxation and social security	**996**	*910*
Lease liabilities	**1,829**	*-*
Other creditors	**611**	*512*
Accruals and deferred income	**13,622**	*2,125*
Financial instruments	**1,796**	*1,599*
	65,589	*48,686*

Disclosure of the terms and conditions attached to the non-equity shares is made in note 28.

The company has applied IFRS16 for the first time this year, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS16 is recognised in retained earnings at the date of initial application. Thus, there are no comparative lease liablilities based on IAS17 while for the current year the lease liablilites presented are based on IFRS16.

The company played a central role in the VentilatorChallengeUK consortium which called on teams from across the Group and other manufacturers and suppliers to help with the production of Smiths Medical paraPAC plusTM ventilators, delays in contracting resulted in a one of increase to deferred income which was cleared in the first half of FY21.

Amounts owed to group undertakings are unsecured and payable on demand, and include loans of £15,037,000 (2019: £15,037,000) which are interest free.

23. Creditors: Amounts falling due after more than one year

	2020 £000	*2019 £000*
Lease liabilities	**6,991**	*-*
Share capital treated as debt	**-**	*36*
Financial instruments (after 1 yr)	**359**	*179*
	7,350	*215*

24. Leases

The company has lease contracts for various offices, warehouses and vehicles used in the operations. The amounts recognised in the financial statements in relation to these leases are as follows:

(i) Amounts recognised in the statement of financial position

The balance sheet shows the following amounts relating to leases:

	31 Jul 2020	*1 Aug 2019*
Right of use assets		
Property	8,329	*5,650*
Motor vehicles	430	*401*
	8,759	*6,051*
Lease liabilities		
Current	1,829	*1,319*
Non-current	6,991	*4,329*
	8,820	*5,648*

Additions to the right of use assets during the 2020 financial year were £4,522,000

(ii)Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

Depreciation charge of right of use assets			
Property		(1,622)	-
Motor vehicles		(192)	-
		(1,814)	-
Interest expense (included in finance cost)	11	(178)	-
Expenses relating to short-term leases (included in administrative expenses)		(20)	-
Future minimum lease payments as at 31 July 2020 are as follows:			
Not later than one year		2,051	*1,794*
Later than one year and not later than five years		6,781	*4,167*
Later than five years		685	*563*
Total gross payments		9,517	*6,524*
Impact of finance expenses		(697)	-
Carrying amount of liability		8,820	*6,524*

Total cash outflow for leases in 2020 was £1,785,000

The company initially applied IFRS16 at 1 August 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS16 is recognised in retained earnings at the date of the initial application. Thus, the comparative future minimum lease payments presented are based on IAS 17 while the current year are based on IFRS16.

25. Financial instruments

	2020 £000	*2019 £000*
Financial assets		
Financial assets measured at fair value through profit or loss	1,738	*3,529*
Financial assets that are debt instruments measured at amortised cost	213,536	*188,592*
	215,274	*192,121*
Financial liabilities		
Derivative financial instruments measured at fair value through profit or loss held as part of a trading portfolio	(2,155)	*(1,778)*
Financial liabilities measured at amortised cost	(59,979)	*(45,519)*
	(62,134)	*(47,297)*

Financial assets measured at fair value through profit or loss comprise bank balances and derivatives.

Financial assets that are debt instruments measured at amortised cost comprise trade and intercompany balances and relevant other debtors.

Derivative financial instruments measured at fair value through profit or loss held as part of a trading portfolio comprise foreign exchange contracts.

Financial liabilities measured at amortised cost comprise trade and intercompany creditors and relevant accruals.

26. Deferred taxation

	2020 £000	*2019 £000*
At beginning of year	6,002	*5,616*
Charged to profit or loss	852	*386*
At end of year	6,854	*6,002*

26. Deferred taxation (continued)

The deferred tax asset is made up as follows:

	2020 £000	2019 £000
Accelerated capital allowances charged to income statement	6,785	5,918
Other timing differences	69	84
	6,854	6,002

At 31 July 2020 the Company had deferred tax assets of £6,855,000 (2019: £6,002,000) relating to capital allowances, calculated at 19% (2019: 17%) in accordance with the Finance Act 2013.

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.

27. Other provisions

	Warranty £000	Property £000	Total £000
At 1 August 2019	68	818	886
Charged to profit or loss	33	256	289
Utilised in financial year	(38)	-	(38)
At 31 July 2020	63	1,074	1,137

Warranty provision is included as an estimate of service and repair costs in relation to products sold with a warranty guarantee. This is reviewed every six months for completeness.

Property provision in included as an estimate of dilapidation costs in returning office and warehouse space to it's original state. This is reviewed annually for completeness.

28. Called up share capital

	2020 £000	*2019 £000*
Shares classified as equity		
Allotted, called up and fully paid		
43,217 *(2019 - 43,217)* Ordinary shares of £1 each	**43**	*43*

	2020 £000	*2019 £000*
Shares classified as debt		
Allotted, called up and fully paid		
0 *(2019 20,000)* Preference shares of €2 each	-	*36*

Arrears of preference share dividend amount to £nil (€nil) (2019: £2,750 (€3,080)).

29. Capital commitments

At 31 July 2020 the Company had capital commitments as follows:

	2020 £000	*2019 £000*
Committed but not provided for	**78**	*157*
Authorised but not committed	**229**	*523*
	307	*680*

30. Pension commitments

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 2020.

30. Pension commitments (continued)

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 2021 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 £1,030,000 (2019: £1,844,000). At 31 July 2020 £nil (2019: £nil) was due to the scheme.

31. Share based compensation

Company employees participate in share schemes and plans that the ultimate parent company, Smiths Group plc operates for the benefit of employees. All entitlements under the schemes relate to the shares of Smiths Group plc. The Company recognises a charge for the benefit of the employee services realised, and a capital contribution from the Group because the Group does not charge the Company for the costs of these options. The nature of the schemes and plans is set out below:

Smiths Group share option schemes

Long Term Incentive Plan (LTIP)
The LTIP is a share plan under which an award over a capped number of shares will vest after the end of the three year performance period if performance conditions are met. LTIP awards are made to selected senior executives, and have performance conditions relating to underlying operating profit growth, ROCE and operating cash conversion.

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. Participants enter into a contract to save a fixed amount per month of up to £500 in aggregate for three or five years and are granted an option over shares at a fixed option price, set at a discount to market price at the date of invitation to participate. The number of shares are 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 Excellence Plan (SEP)
The SEP is a share plan under which an award over a capped number of shares will vest after two years, depending on performance on the operational objectives during the first year and continued employment with the Group. There is no retesting of performance, however the Remuneration Committee has discretion to adjust vesting rates if material misstatements in reported performance are subsequently identified and awards are subject to clawback provisions in the event of mis-conduct.

Range of exercise prices and remaining contractual life
Options outstanding under LTIP schemes at 31 July 2020 have an exercise price of £0.00 (2019: £0.00), with a weighted average remaining contractual life of 1.2 years (2019: 1.4 years).
Options outstanding under SEP schemes at 31 July 2020 have an exercise price of £0.00 (2019: £0.00), with a weighted average remaining contractual life of 0.3 years (2019: 1.1 years).
Options outstanding under SAYE schemes at 31 July 2020 had exercise prices between £9.00 and £13.00 (2019: £8.66 and £13.00), with a weighted average contractual life of 2.5 years (2019: 2.3 years).
Options were exercised on an irregular basis during the period. The average closing share price over the financial year was 1,492.90p (2019: 1,479.21p).

Cost of share based payment arrangements
Included within staff costs is an expense arising from share based payment transactions of £265,000 (2019: £234,000).

32. Commitments under operating leases

At 31 July 2020 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2020	*2019*
	£000	*£000*
Not later than 1 year	-	*1,794*
Later than 1 year and not later than 5 years	-	*4,167*
Later than 5 years	-	*563*
	-	*6,524*

Items disclosed under operating leases last year are now dealt with under IFRS16 and as such are disclosed elsewhere within the financial statements.

33. Guarantees

The Company entered a Composite Accounting Agreement with Barclays Bank PLC on 10 February 2010. Each participating company has provided a guarantee to the bank. Under the terms of the agreement and the guarantees, the bank is authorised to allow set-off for interest purposes and in certain circumstances to seize credit balances and apply them in reduction of liabilities including debit balances within the Composite Accounting System.

34. Controlling party

For the year ended 31 July 2020, 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, 4th Floor, 11-12 St James's Square, London, SW1Y 4LB.