

SMITHS MEDICAL INTERNATIONAL LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

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SMITHS MEDICAL INTERNATIONAL LIMITED

COMPANY INFORMATION

Directors	Ian Harper (resigned 31 August 2018) Louis Jones Nigel Bark Gregory McGrath (appointed 3 April 2018) Kimberley Jayne (resigned 3 April 2018) Suzanne Hardy (resigned 5 October 2017)
Company secretary	Joanne Ede
Registered number	00362847
Registered office	1500 Eureka Park Lower Pemberton Ashford Kent TN25 4BF
Independent auditors	PricewaterhouseCoopers LLP

SMITHS MEDICAL INTERNATIONAL LIMITED

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SMITHS MEDICAL INTERNATIONAL LIMITED

STRATEGIC REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

Introduction

The directors present their Strategic Report on Smiths Medical International Limited for the year ended 31 July 2018.

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 £23,728,000 (2017: £65,526,000) and turnover of £260,796,000 (2017: £277,463,000). The retained earnings as at 31 July 2018 amounted to £210,801,000 (2017: £185,919,000).

The business has seen a decline in revenue of £16.7m compared to 2017. The key drivers of this decline are reduced sales in Latin America, due to the reduced exchange rate making payment in USD (our selling currency in Latin America) challenging, coupled with the impact of the loss of our CE (Conformité Européenne) marking lowering sales into the UK & continental Europe. The company's gross margin has declined by 1.7%, impacted by product mix and some price erosion. Good control on expenses resulted in a small reduction year-on-year, with overall profitability, once adjusted for exceptional items, showing a circa 26.2% reduction due to the revenue & margin declines above.

Net current assets have grown with increased stock, due to lower sales, and increased debtors due to Latin American payment issues being offset by a reduction in creditors as our payment performance has improved. All current assets have been subject to the usual provisioning methodologies

Exceptional items last year included restructuring costs of £824,000 relating to redundancy and legal expenditure incurred in a personnel reorganisation project, and disposal of operations relating to the sale of the Wallace franchise to CooperSurgical for a consideration of £32,000,000, giving a gain on disposal of £31,359,000.

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.

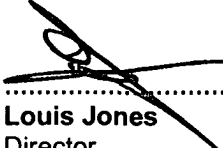
Financial key performance indicators

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>.

SMITHS MEDICAL INTERNATIONAL LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2018**

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


.....
Louis Jones
Director

Date: 7 November 2018

SMITHS MEDICAL INTERNATIONAL LIMITED

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

The directors present their report and the financial statements for the financial year ended 31 July 2018.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 £24,882 thousand (2017 - £70,136 thousand).

No dividends (2017: £nil) were authorised or paid during the year. The Directors do not recommend payment of a dividend for the year ended 31 July 2018 (2017: £nil).

Directors

The directors who served during the financial year were:

Ian Harper (resigned 31 August 2018)
Louis Jones
Nigel Bark
Gregory McGrath (appointed 3 April 2018)
Kimberley Jayne (resigned 3 April 2018)
Suzanne Hardy (resigned 5 October 2017)

**DIRECTORS' REPORT (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2018**

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.

Employee involvement

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.

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. The Company provides share option schemes to its employees (note 27).

Disabled employees

Disabled people are given full consideration for employment and subsequent training, career development and promotion on the basis of their aptitudes and abilities.

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.

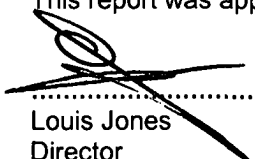
Post balance sheet events

There have been no significant events affecting the Company since the year end.

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.


.....
Louis Jones
Director

Date: 7 November 2018

SMITHS MEDICAL INTERNATIONAL LIMITED

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 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 July 2018; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

SMITHS MEDICAL INTERNATIONAL LIMITED

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

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 July 2018 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 as 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.

SMITHS MEDICAL INTERNATIONAL LIMITED

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

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.



Andrew Hodgekins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans
7 November 2018

SMITHS MEDICAL INTERNATIONAL LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 JULY 2018**

	Note	2018 £000	2017 £000
Turnover	4	260,796	277,463
Cost of sales		(188,562)	(195,968)
Gross profit		72,234	81,495
Distribution costs		(15,493)	(15,181)
Administrative expenses		(32,255)	(33,189)
Exceptional items	12	(1,232)	31,718
Operating profit	5	23,254	64,843
Interest receivable and similar income	9	1,029	1,068
Interest payable and similar expenses	10	(115)	(105)
Other finance charges		(440)	(280)
Profit before tax		23,728	65,526
Tax on profit	11	1,154	4,610
Profit for the financial year		24,882	70,136
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss:			
Net fair value gains/(losses) on cash-flow hedges		4,320	(2,616)
		4,320	(2,616)
Total comprehensive income for the financial year		29,202	67,520

There were no recognised gains and losses for 2018 or 2017 other than those included in the statement of comprehensive income.

The notes on pages 12 to 37 form part of these financial statements.

SMITHS MEDICAL INTERNATIONAL LIMITED
REGISTERED NUMBER: 00362847

BALANCE SHEET
AS AT 31 JULY 2018

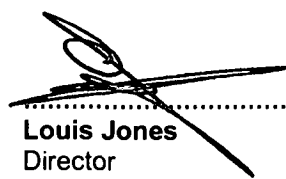
	Note	2018 £000	2017 £000
Fixed assets			
Goodwill	14	4,867	4,867
		<u>4,867</u>	<u>4,867</u>
Intangible assets	13	2,371	2,549
Tangible assets	15	2,301	2,399
Investments	16	11,898	11,898
		<u>21,437</u>	<u>21,713</u>
Current assets			
Stocks	17	44,631	34,488
Debtors	18	265,460	256,585
Cash at bank and in hand	19	1,064	381
		<u>311,155</u>	<u>291,454</u>
Creditors: amounts falling due within one year	20	(46,307)	(55,780)
Net current assets		<u>264,848</u>	<u>235,674</u>
Total assets less current liabilities		<u>286,285</u>	<u>257,387</u>
Creditors: amounts falling due after more than one year	21	(264)	(783)
		<u>286,021</u>	<u>256,604</u>
Provisions for liabilities			
Other provisions	24	(896)	(894)
		<u>(896)</u>	<u>(894)</u>
Net assets		<u><u>285,125</u></u>	<u><u>255,710</u></u>

SMITHS MEDICAL INTERNATIONAL LIMITED
REGISTERED NUMBER: 00362847

BALANCE SHEET (CONTINUED)
AS AT 31 JULY 2018

	Note	2018 £000	2017 £000
Capital and reserves			
Called up share capital	25	43	43
Share premium account		71,340	71,340
Hedge reserve		1,057	(3,263)
Capital reserve		1,884	1,671
Profit and loss account		210,801	185,919
		<u>285,125</u>	<u>255,710</u>

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



Louis Jones
 Director
 Date: 7 November 2018

The notes on pages 12 to 37 form part of these financial statements.

SMITHS MEDICAL INTERNATIONAL LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 JULY 2018**

	Called up share capital £000	Share premium account £000	Hedge reserve £000	Capital reserve £000	Profit and loss account £000	Total equity £000
At 1 August 2016	43	71,340	(647)	1,484	115,783	188,003
Comprehensive income/(expense) for the financial year						
Profit for the financial year	-	-	-	-	70,136	70,136
Fair value movements on cash-flow hedges	-	-	(2,616)	-	-	(2,616)
Total comprehensive income for the financial year	-	-	(2,616)	-	70,136	67,520
Capital contribution	-	-	-	187	-	187
Total transactions with owners	-	-	-	187	-	187
At 31 July 2017	43	71,340	(3,263)	1,671	185,919	255,710
Comprehensive income for the financial year						
Profit for the financial year	-	-	-	-	24,882	24,882
Fair value movements on cash-flow hedges	-	-	4,320	-	-	4,320
Total comprehensive income for the financial year	-	-	4,320	-	24,882	29,202
Capital contribution	-	-	-	213	-	213
Total transactions with owners	-	-	-	213	-	213
At 31 July 2018	43	71,340	1,057	1,884	210,801	285,125

The notes on pages 12 to 37 form part of these financial statements.

SMITHS MEDICAL INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2018**

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 3).

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

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).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2018**

2. Accounting policies (continued)

2.4 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 the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2018**

2. Accounting policies (continued)**2.5 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 following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.6 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.

2.7 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2018**

2. Accounting policies (continued)**2.8 Finance costs**

Finance costs are charged to the Statement of Comprehensive Income 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.

2.9 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 the Statement of Comprehensive Income 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.

2.10 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of Comprehensive Income 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 Statement of Comprehensive Income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Statement of Comprehensive Income is charged with fair value of goods and services received.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2018**

2. Accounting policies (continued)

2.11 Current and deferred taxation

The tax expense for the financial year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, 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.

2.12 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2018**

2. Accounting policies (continued)

2.13 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 probably 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.

2.14 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.

2.15 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.

2.16 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2018**

2. Accounting policies (continued)**2.16 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 the Statement of Comprehensive Income.

2.17 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.18 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.

2.19 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.

2.20 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

2. Accounting policies (continued)

2.21 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.

2.22 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 the Statement of Comprehensive Income 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.

2.23 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

The Company recognises its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired.

Other than the financial assets in a qualifying hedging relationship, the Company's accounting policy for each category is as follows:

Fair value through profit or loss

This category comprises only in-the-money derivatives. These are carried in the Balance Sheet at fair value with changes in fair value recognised in the Statement of Comprehensive Income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

2. Accounting policies (continued)

2.23 Financial instruments (continued)

provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statement of Comprehensive Income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

The Company classifies its financial liabilities into one of the categories discussed below, depending on the purpose for which the liability was acquired.

Fair value through profit or loss

The Company comprises only out-of-the-money derivatives. They are carried in the Balance Sheet at fair value with changes in fair value recognised in the Statement of Comprehensive Income.

At amortised cost

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Balance Sheet.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2018**

3. 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 key estimates and assumptions used in these consolidated financial statements are set out below.

Retirement benefits

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 recognise the accounting surplus for the whole scheme in its Company financial statements.

Receivables provisions

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.

At 31 July 2018 there were provisions of £3,356,000 (2017: £2,308,000) against gross receivables of £26,337,000 (2017: £24,655,000).

Inventory provisions

The calculation of inventory provisions requires judgement 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 2018, there were provisions of £1,957,000 (2017: £1,730,000) against gross inventory of £46,588,000 (2017: £36,218,000).

4. 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:

	2018	2017
	£000	£000
United Kingdom	27,857	24,272
Rest of Europe	112,703	120,952
Rest of the world	120,236	132,239
	260,796	277,463

SMITHS MEDICAL INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2018**

5. Operating profit

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

	2018	<i>2017</i>
	£000	<i>£000</i>
Research & development charged as an expense	3,161	<i>3,154</i>
Depreciation of tangible assets	758	<i>697</i>
Amortisation of intangible assets	790	<i>1,018</i>
Exchange differences	886	<i>(348)</i>
Defined contribution pension cost	1,720	<i>1,630</i>
	<u> </u>	<i><u> </u></i>

6. Auditors' remuneration

The company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

	2018	<i>2017</i>
	£000	<i>£000</i>
Fees for the audit of the Company	149	<i>135</i>
Other fees payable	54	<i>54</i>
	<u> </u>	<i><u> </u></i>
	<u>203</u>	<i><u>189</u></i>

SMITHS MEDICAL INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2018**

7. Employees

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

	2018	2017
	£000	£000
Wages and salaries	20,590	19,591
Social security costs	2,078	1,801
Other pension costs	1,720	1,630
	<u>24,388</u>	<u>23,022</u>

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

	2018	2017
	No.	No.
UK	410	417
Overseas	151	93
	<u>561</u>	<u>510</u>

8. Directors' remuneration

	2018	2017
	£000	£000
Directors' emoluments	771	682
Company contributions to defined contribution pension schemes	79	73
	<u>850</u>	<u>755</u>

During the financial year retirement benefits were accruing to 5 directors (2017 - 5) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £235 thousand (2017 - £235 thousand).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £26 thousand (2017 - £21 thousand).

SMITHS MEDICAL INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2018**

9. Interest receivable and similar income

	2018	2017
	£000	£000
Interest receivable from group companies	1,026	1,068
Other interest receivable	3	-
	<u>1,029</u>	<u>1,068</u>

10. Interest payable and similar expenses

	2018	2017
	£000	£000
Bank interest payable	39	26
Other loan interest payable	76	79
	<u>115</u>	<u>105</u>

11. Tax on profit

	2018	2017
	£000	£000
Corporation tax		
Current tax on profits for the year	(76)	(96)
Adjustments in respect of previous periods	20	4
	<u>(56)</u>	<u>(92)</u>
Total current tax	<u>(56)</u>	<u>(92)</u>
Deferred tax		
Origination and reversal of timing differences	(1,098)	(4,518)
Total deferred tax	<u>(1,098)</u>	<u>(4,518)</u>
Total taxation (credit)	<u>(1,154)</u>	<u>(4,610)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2018**

11. Tax on profit (continued)

Factors affecting tax credit for the financial year

The tax assessed for the financial year is lower than (2017 - *lower than*) the standard rate of corporation tax in the UK of 19.00% (2017 - 19.67%). The differences are explained below:

	2018 £000	2017 £000
Profit before tax	23,728	65,526
Profit before tax multiplied by standard rate of corporation tax in the UK of 19.00% (2017 - 19.67%)	4,508	12,889
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	46	145
Capital allowances for financial year in excess of depreciation	-	(971)
Adjustments to tax charge in respect of prior periods	20	4
Other timing differences leading to an increase/(decrease) in taxation	-	(4,518)
Non-taxable income	(620)	(6,261)
Adjustment in research and development tax credit leading to a decrease in the tax charge	(76)	(96)
Group relief received for no consideration	(5,032)	(5,802)
Total tax credit for the financial year	(1,154)	(4,610)

At 31 July 2018 the Company had deferred tax assets of £5,616,468 (2017: 4,518,279) relating to capital allowances.

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.

The UK government has cut the Corporation Tax rate to 19% for the 2018/19 tax year, and to 17% for 2020. If the Company pays tax in the future, and these rates are still in force, the Company will benefit from lower tax payments.

SMITHS MEDICAL INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2018**

12. Exceptional items

	2018 £000	2017 £000
Restructuring costs	-	824
Gain on disposal of operations	-	(31,359)
Expense/(income) from transitional services provided to CooperSurgical	1,232	(1,183)
	<u>1,232</u>	<u>(31,718)</u>

Restructuring costs last year relate to redundancy and legal expenditure incurred in a personnel reorganisation project.

Disposal of operations related to the sale of the Wallace franchise to CooperSurgical for a consideration of £32,000,000.

13. Intangible assets

	Computer software £000	Development £000	Total £000
Cost			
At 1 August 2017	17,275	1,794	19,069
Additions - external	92	-	92
Additions - internal	-	520	520
Disposals	(33)	-	(33)
At 31 July 2018	<u>17,334</u>	<u>2,314</u>	<u>19,648</u>
Amortisation			
At 1 August 2017	15,521	999	16,520
Charge for the year	783	7	790
On disposals	(33)	-	(33)
At 31 July 2018	<u>16,271</u>	<u>1,006</u>	<u>17,277</u>
Net book value			
At 31 July 2018	<u>1,063</u>	<u>1,308</u>	<u>2,371</u>
At 31 July 2017	<u>1,754</u>	<u>795</u>	<u>2,549</u>

SMITHS MEDICAL INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2018**

14. Goodwill

	2018 £000
Cost	
At 1 August 2017	9,392
At 31 July 2018	9,392
Amortisation	
At 1 August 2017	4,525
At 31 July 2018	4,525
Net book value	
At 31 July 2018	4,867
<i>At 31 July 2017</i>	<i>4,867</i>

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 (2017: £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%. 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.

SMITHS MEDICAL INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2018**

15. Tangible assets

	Freehold 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 2017	3,348	356	7,724	16	9,368	20,812
Additions	-	-	532	-	238	770
Disposals	(2,983)	-	(4,895)	(16)	(4,862)	(12,756)
At 31 July 2018	365	356	3,361	-	4,744	8,826
Depreciation						
At 1 August 2017	3,346	356	7,078	16	7,617	18,413
Charge for the financial year on owned assets	2	-	238	-	518	758
Disposals	(2,983)	-	(4,873)	(16)	(4,774)	(12,646)
At 31 July 2018	365	356	2,443	-	3,361	6,525
Net book value						
At 31 July 2018	-	-	918	-	1,383	2,301
At 31 July 2017	2	-	646	-	1,751	2,399

SMITHS MEDICAL INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2018**

16. Investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 August 2017	11,898
At 31 July 2018	11,898
Net book value	
At 31 July 2018	11,898
At 31 July 2017	11,898

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

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

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

SMITHS MEDICAL INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2018**

17. Stocks

	2018 £000	2017 £000
Raw materials and consumables	1,868	1,513
Work in progress (goods to be sold)	213	256
Finished goods and goods for resale	42,550	32,719
	<u>44,631</u>	<u>34,488</u>

Write-down of stocks charged as an expense was £536,000 (2017: £163,000).

18. Debtors

	2018 £000	2017 £000
Due after more than one year		
Deferred tax asset	5,616	4,518
Financial instruments	529	156
	<u>6,145</u>	<u>4,674</u>
Due within one year		
Trade debtors	22,648	21,926
Amounts owed by group undertakings	233,380	221,277
Other debtors	255	5,415
Prepayments and accrued income	817	752
Tax recoverable	151	343
Financial instruments	2,064	2,198
	<u>265,460</u>	<u>256,585</u>

Amounts owed by group undertakings are unsecured and payable on demand, and include a loan of £225,479,000 (2017: £203,612,000) bearing interest at 12 month GBP LIBID.

19. Cash at bank and in hand

	2018 £000	2017 £000
Cash at bank and in hand	1,064	381
	<u>1,064</u>	<u>381</u>

SMITHS MEDICAL INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2018**

20. Creditors: Amounts falling due within one year

	2018	2017
	£000	£000
Trade creditors	5,860	5,360
Amounts owed to group undertakings	36,259	37,948
Other taxation and social security	807	866
Other creditors	475	4,083
Accruals and deferred income	1,684	2,387
Financial instruments	1,222	5,136
	<u>46,307</u>	<u>55,780</u>

Amounts owed to group undertakings are unsecured and payable on demand, and include loans of £15,037,000 (2017: £15,037,000) which are interest free.

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

	2018	2017
	£000	£000
Share capital treated as debt	36	36
Financial instruments (after 1 yr)	228	747
	<u>264</u>	<u>783</u>

SMITHS MEDICAL INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2018**

22. Financial instruments

	2018	2017
	£000	£000
Financial assets		
Financial assets measured at fair value through profit or loss	3,657	2,735
Financial assets that are debt instruments measured at amortised cost	256,264	247,882
	259,921	250,617
Financial liabilities		
Derivative financial instruments measured at fair value through profit or loss held as part of a trading portfolio	(1,450)	(5,883)
Financial liabilities measured at amortised cost	(43,674)	(48,883)
	(45,124)	(54,766)

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.

23. Deferred taxation

	2018	2017
	£000	£000
At beginning of year	4,518	-
Charged to profit or loss	1,098	4,518
At end of year	5,616	4,518

SMITHS MEDICAL INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2018**

23. Deferred taxation (continued)

The deferred tax asset is made up as follows:

	2018 £000	2017 £000
Accelerated capital allowances charged to income statement	5,616	4,518
	<u>5,616</u>	<u>4,518</u>

At 31 July 2018 the Company had deferred tax assets of £5,616,468 (2017: 4,518,279) relating to capital allowances, calculated at 17% (2017: 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.

24. Other provisions

	Warranty £000	Property £000	Total £000
At 1 August 2017	76	818	894
Charged to profit or loss	72	-	72
Utilised in financial year	(70)	-	(70)
At 31 July 2018	<u>78</u>	<u>818</u>	<u>896</u>

SMITHS MEDICAL INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2018**

25. Called up share capital

	2018	2017
	£000	£000
Shares classified as equity		
Allotted, called up and fully paid		
43,217 (2017 - 43,217) Ordinary shares of £1 each	43	43
	<u>43</u>	<u>43</u>
	2018	2017
	£000	£000
Shares classified as debt		
Allotted, called up and fully paid		
20,000 (2017 - 20,000) Preference shares of € 2 each	36	36
	<u>36</u>	<u>36</u>

Arrears of preference share dividend amount to £27,500 (€30,800) (2017: £25,100 (€28,000)), covering 10 years.

26. Capital commitments

At 31 July 2018 the Company had capital commitments as follows:

	2018	2017
	£000	£000
Committed but not provided for	215	93
Authorised but not committed	523	2,707
	<u>738</u>	<u>2,800</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2018**

27. 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 2018.

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 2019 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 £1,720,000 (2017: £1,630,000). At 31 July 2018 £nil (2017: £nil) was due to the scheme.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2018**

28. 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)

In September 2016 the Smiths Excellence plan (SEP) was introduced. Awards 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 2018 have an exercise price of £0.00 (2017: £0.00), with a weighted average remaining contractual life of 1.0 year (2017: 1.6 years).

Options outstanding under SEP schemes at 31 July 2018 have an exercise price of £0.00 (2017: £0.00), with a weighted average remaining contractual life of 0.9 years (2017: 1.0 year).

Options outstanding under SAYE schemes at 31 July 2018 had exercise prices between £8.11 and £13.00 (2017: £8.11 and £13.00), with a weighted average contractual life of 2.3 years (2017: 2.2 years).

Options were exercised on an irregular basis during the period. The average closing share price over the financial year was 1,589.60p (2017: 1,499.95p).

Cost of share based payment arrangements

Included within administrative expenses is a charge arising from share based payment transactions of £213,000 (2017: £187,000).

SMITHS MEDICAL INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2018**

29. Commitments under operating leases

At 31 July 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018	2017
	£000	£000
Not later than 1 year	1,709	1,736
Later than 1 year and not later than 5 years	2,840	4,346
	4,549	6,082

30. Controlling party

For the year ended 31 July 2018, 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.