

Company No. 362847

SMITHS MEDICAL INTERNATIONAL LIMITED (formerly Portex Limited)

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 JULY 2004



**Smiths Medical International Limited (formerly Portex Limited)**

**Annual report and financial statements**

**For the year ended 31 July 2004**

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**SMITHS MEDICAL INTERNATIONAL LIMITED (formerly Portex Limited)**

**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 JULY 2004**

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The Directors have pleasure in presenting their report and the audited financial statements for the year ended 31 July 2004.

**PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS**

The principal activity of the Company continues to be the manufacture of surgical and medical plastic products in the UK. Turnover has increased to £93,578,000 (2003 : £86,001,000) during the year owing to continued growth of the business worldwide through increased focus on core product ranges, supported by new product introductions, and by the inclusion of the Pneupac Limited business for 5 months.

**RESULTS AND DIVIDENDS**

The profit for the year after taxation was £5,943,000 (2003: £12,656,000). The retained profit for the year of £5,900,000 has been transferred to reserves (2003: £(4,346,000) loss netted against reserves). The Directors have paid a preference dividend of £41,000 and provided a preference dividend of £2,000 (2003: ordinary dividend £17,000,000 and preference dividend of £2,000) and do not recommend the payment of a final dividend.

**CHANGE OF NAME**

On 1 March 2004 the Company changed its name from Portex Limited to Smiths Medical International Limited to align the business with the global corporate image being presented by its parent Company.

**ACQUISITIONS**

On 29 February 2004 the Company acquired the net assets of Pneupac Limited, a manufacturer of respiratory equipment and fellow group subsidiary for a total consideration of £8,400,000. In addition, the Company has also acquired the Investment in Pneupac Limited from Smiths Group Plc in exchange for one share in Smiths Medical International Limited. On 31 July 2004 the Company acquired the net assets of Graseby Medical Limited, a manufacturer of Hospital Infusion equipment and fellow group subsidiary for a total consideration of £6,207,709. The Company has also acquired the Investment in Graseby Medical Limited from Smiths Group Plc in exchange for one share in Smiths Medical International Limited.

**FUTURE DEVELOPMENTS**

The Company will pursue its existing activities and continue to seek business opportunities to ensure the future profitability of the Company.

**SMITHS MEDICAL INTERNATIONAL LIMITED (formerly Portex Limited)**

**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 JULY 2004**

**DIRECTORS AND THEIR INTERESTS**

The Directors who held office during the year are given below:

A.D. Dunsmore	Resigned 8/3/2004
C.J. Eaton	
M.C. Jamieson	
L.H.N. Kinet	
S.M. Ogilvie	
J.C. Russell	
J.J.C. Simpson	Appointed 8/3/2004
M.J. Speakman	Resigned 29/2/2004
C. Surch	Appointed 12/3/2004
R.E. Trawicki	

None of the Directors held any interest in the share capital of the Company.

L.H.N. Kinet is also a Director of the ultimate parent company Smiths Group plc. His emoluments are borne by Smiths Group plc and are disclosed in its Annual Report and financial statements.

The number of 25p ordinary shares of Smiths Group plc held by Directors and their immediate families were:

	<b><u>2004</u></b>	<b><u>2003*</u></b>
C Surch	8,448	8,734
C.J. Eaton	474	NIL
R.E. Trawicki	1,999	433
M.C. Jamieson	19,649	15,601
S.M. Ogilvie	953	928
J.C. Russell	NIL	NIL
J.J.C. Simpson	60	60
L H N Kinet	7,816	2,152

\*or as at date of appointment

The number of options held by Directors and their immediate families over the 25p ordinary shares of Smiths Group plc, under the terms of The Smiths Group plc 1982 SAYE Share Option Scheme, The Smiths Group plc 1995 Executive Share Option Scheme, and The Deferred Share Scheme.

	<b>31 July 2004</b>	<b>Granted during period</b>	<b>Exercised during period</b>	<b>Lapsed during period</b>	<b>1 August 2003*</b>
C. Surch	126,834	-	-	-	126,834
J.J.C. Simpson	12,964	-	-	-	12,964
C.J. Eaton	64,569	17,434	474	-	47,609
R. E. Trawicki	92,794	36,861	-	-	55,933
M.C. Jamieson	136,180	35,110	4,087	-	105,157
S.M. Ogilvie	32,530	872	-	-	31,658
J.C. Russell	37,806	10,622	-	-	27,184
L H N Kinet	425,520	109,611			315,909

\*or as at date of appointment

Details of The Smiths Group plc 1982 SAYE Share Option Scheme, The Smiths Group plc 1995 Executive Share Option Scheme and The Deferred Share Option Scheme are contained in the Annual Report and financial statements of Smiths Group plc.

**SMITHS MEDICAL INTERNATIONAL LIMITED (formerly Portex Limited)**

**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 JULY 2004**

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**EMPLOYEES**

The maintenance of a highly skilled workforce is key to the future of the Company. The Directors regularly review health and safety matters and it is their policy to ensure that:

1. full and fair consideration is given to all applications for employment made by disabled persons, having regard to their capabilities;
2. when existing employees become disabled (whether from illness or accident) every reasonable effort is made to continue to provide suitable employment either in the same or, by training, in an alternative job;
3. disabled persons are given equal consideration for training, career development and opportunities for promotion within the Company.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of their financial and economic performance of their business units and of the company as a whole. Communication with all employees continues through the newsletters and monthly briefing groups.

**POLICY ON PAYMENT OF CREDITORS**

The Company's policy is to pay creditors promptly in accordance with agreed terms of business. The total amount of creditors falling due within one year as at 31 July 2004 represents 28 days (34 days 2003) worth as a proportion of the total amount invoiced by suppliers during the year ended on that date.

**RESEARCH AND DEVELOPMENT**

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

**DONATIONS**

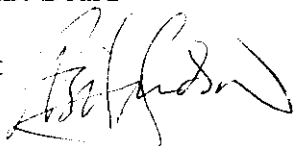
During the year, the Company made charitable donations of £331,000 (2003: £338,000). There were no political donations (2003: £nil).

**AUDITORS**

PricewaterhouseCoopers LLP will remain as auditors by virtue of an elective resolution passed on 14 December 1990.

By Order of the Board

Neil Burdett  
Secretary



London

9 December 2004

**SMITHS MEDICAL INTERNATIONAL LIMITED (formerly Portex Limited)**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company at the end of the period and of its profit or loss for that period. In preparing those financial statements the Directors are required to:

- confirm that suitable accounting policies have been used and applied consistently;
- confirm that judgements and estimates are reasonable and prudent;
- confirm that applicable accounting standards have been followed, subject to any material departure disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which 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 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud or other irregularities.

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

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We have audited the financial statements, which comprise the profit and loss account, the balance sheet and the related notes, which have been prepared under the historical cost convention and the accounting policies, set out on pages 8 to 9.

**Respective responsibilities of Directors and auditors**

The Directors' responsibilities for preparing the Directors' Report and Financial Statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body corporate in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

**Basis of audit opinion**

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 July 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers*

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors

London

21/12/04

**SMITHS MEDICAL INTERNATIONAL LIMITED (formerly Portex Limited)****PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 JULY 2004**

	<u>Note</u>	<u>2004</u> <u>£'000</u>	<u>2003</u> <u>£'000</u>
<b>TURNOVER</b>			
Continuing operations		91,057	86,001
Acquisitions		2,521	-
		<u>93,578</u>	<u>86,001</u>
Cost of Sales		(69,548)	(57,588)
<b>GROSS PROFIT</b>		<u>24,030</u>	<u>28,413</u>
Distribution costs		(4,817)	(5,222)
Administrative expenses		(9,022)	(6,025)
Operating exceptional items	7	(2,021)	-
<b>OPERATING PROFIT</b>			
Continuing operations		<u>7,998</u>	<u>17,166</u>
Acquisitions		172	-
<b>PROFIT BEFORE INTEREST</b>		<u>8,170</u>	<u>17,166</u>
Net Interest receivable	8	319	300
Foreign exchange gains		1	749
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>8,490</u>	<u>18,215</u>
Tax on profit on ordinary activities	9	(2,547)	(5,559)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<u>5,943</u>	<u>12,656</u>
Dividends - Equity	10	-	(17,000)
- Non Equity		(43)	(2)
<b>RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>	18	<u>5,900</u>	<u>(4,346)</u>

The Company has no recognised gains or losses other than the profit for the financial year above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained (loss)/profit for the financial year stated above and their historical cost equivalents.

There has been no profit or loss impact from the transfer of Graseby Medical Limited as this did not occur until the year end date.

The notes on pages 8 to 17 form part of these financial statements.



**SMITHS MEDICAL INTERNATIONAL LIMITED (formerly Portex Limited)****BALANCE SHEET**  
**AS AT 31 JULY 2004**

	<u>Note</u>	<u>2004</u> <u>£'000</u>	<u>2003</u> <u>£'000</u>
<b>FIXED ASSETS</b>			
Tangible Assets	11	20,608	14,805
Intangible Assets	12	6,805	-
Investment in Subsidiaries	13	8,064	-
Other Investments	13	-	468
		<u>35,477</u>	<u>15,273</u>
<b>CURRENT ASSETS</b>			
Stocks	14	23,751	21,937
Debtors	15	60,969	46,953
Cash at bank and in hand		<u>44</u>	<u>48</u>
		<u>84,764</u>	<u>68,938</u>
<b>CREDITORS: amounts falling due within one year</b>	16	<u>(32,228)</u>	<u>(10,161)</u>
<b>NET CURRENT ASSETS</b>		<u>52,536</u>	<u>58,777</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		88,013	74,050
<b>NET ASSETS</b>		<u>88,013</u>	<u>74,050</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	70	71
Share premium account	18	71,340	63,276
Profit and loss account	18	16,603	10,703
<b>TOTAL SHAREHOLDERS' FUNDS</b>	19	<u>88,013</u>	<u>74,050</u>
<b>ANALYSIS OF SHAREHOLDERS' FUNDS</b>			
Equity		24,714	10,751
Non-equity		63,299	63,299
	19	<u>88,013</u>	<u>74,050</u>

The financial statements on pages 6 to 17 were approved by the Board on 9 December 2004 and signed on its behalf by:

**J J C SIMPSON** Director

The notes on pages 8 to 17 form part of these financial statements.

**SMITHS MEDICAL INTERNATIONAL LIMITED (formerly Portex Limited)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JULY 2004**

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**1. ACCOUNTING POLICIES**

**Basis of Accounting**

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards.

The principal accounting policies are set out below. These are reviewed periodically to ensure that they continue to be the most appropriate for the Company.

**a) Turnover**

Turnover, which comprises a single class of activity, represents the net amount invoiced to customers less trade discounts, excluding value added tax and sales of fixed assets.

**b) Cost of sales**

Cost of sales represents the expenditure incurred in bringing goods and services to the location and to the condition in which a sale could take place, including all related production overheads.

**c) Depreciation**

Depreciation is provided on all relevant assets in use at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life on a straight line basis, as follows:

Plant and machinery	- 10 years
Motor vehicles	- 4 years
Fixtures, fittings, tools, equipment and vehicles	- 2 to 10 years

**d) Goodwill**

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing the excess of the fair value of the consideration given and associated costs over the fair value of the identifiable assets and liabilities acquired, is capitalised. Goodwill is amortised to nil by equal annual instalments over its estimated useful economic life, normally a period of twenty years. If the carrying value of goodwill is considered to exceed its recoverable amount, an impairment charge is included in operating profit.

**e) Research and Development**

Research and development expenditure, other than that recoverable from third parties, is written off as incurred.

**f) Taxation**

The settlement of all current and future tax liabilities has been assumed by Smiths Group plc. The tax on profit on ordinary activities represents the tax paid to Smiths Group plc in respect of the profit on ordinary activities before tax for the current year.

**g) Stocks and Work in Progress**

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost is determined on a "first in, first out" basis and, in the case of work in progress and finished goods, includes the relevant proportion of overheads.

**SMITHS MEDICAL INTERNATIONAL LIMITED (formerly Portex Limited)**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 JULY 2004**

**h) Foreign Exchange**

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction, or if hedged forward at the contract rate. Exchange differences arising in the ordinary course of business are included in trading profit.

Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date, or at contracted rates where hedging arrangements are in place.

**i) Pension Costs**

The cost of providing retirement pensions for employees charged in the profit and loss account represents the amounts paid by the Company to Smiths Group plc in the financial year.

**j) Operating Leases**

Operating lease rentals are charged to the profit and loss account during the period in which they are incurred.

**k) Finance Leases**

Equipment leased to customers under finance leases is deemed to be sold at normal selling value, which is taken to turnover at the inception of the lease. Debtors under finance leases represent outstanding amounts due under such agreements less finance charges allocated to future periods.

Finance lease interest is recognised over the primary period of the lease so as to produce a constant rate of return on the net cash investments.

**l) Cash flow statement and related party disclosures**

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

**m) Investments**

Investments are included at cost less amounts written off.

**2. TURNOVER**

The analysis of turnover by geographical area is as follows:

	<u>2004</u>	<u>2003</u>
	<u>£'000</u>	<u>£'000</u>
U.K.	20,871	18,628
Overseas	72,707	67,373
<b>TOTAL</b>	<u>93,578</u>	<u>86,001</u>

**SMITHS MEDICAL INTERNATIONAL LIMITED (formerly Portex Limited)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JULY 2004**

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**3. OPERATING PROFIT**

			<u>2004</u> £'000	<u>2003</u> £'000
	Continuing Operations	Acquisitions	Total	Total
Turnover	91,057	2,521	93,578	86,001
Cost of sales	(67,591)	(1,957)	(69,548)	(57,588)
Gross profit	23,466	564	24,030	28,413
Distribution costs	(4,684)	(133)	(4,817)	(5,222)
Administration costs	(8,763)	(259)	(9,022)	(6,025)
Operating exceptional items	(2,021)	-	(2,021)	-
Operating profit	<u>7,998</u>	<u>172</u>	<u>8,170</u>	<u>17,166</u>

Operating profit is stated after charging:

	<u>2004</u> £'000	<u>2003</u> £'000
Staff costs (see note 5)	21,043	19,653
Depreciation on owned assets	3,487	3,252
Amortisation of intangible assets	145	-
Operating leases - Land and buildings	64	118
Auditors' remuneration - Audit services	45	36
Research and development expenditure	3,804	2,651
Donations	331	338
Foreign exchange loss	327	323
(Profit) on sale of assets	(481)	(307)

**SMITHS MEDICAL INTERNATIONAL LIMITED (formerly Portex Limited)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JULY 2004**

**4. DIRECTORS' EMOLUMENTS**

	<u>2004</u> £'000	<u>2003</u> £'000
Aggregate emoluments (including pension contributions)	<u>715</u>	<u>766</u>

There were 5 Directors (2003: 5 Directors) of the Company to whom retirement benefits were accruing during the year ended 31 July 2004 under a defined benefit scheme.

There were 2 Directors (2003: 1 Director) who exercised share options during the year.

L.H.N. Kinet is also a Director of the ultimate parent company Smiths Group plc. His emoluments are borne by Smiths Group plc and are disclosed in its Annual Report and financial statements.

The Directors, C. Surch, S Ogilvie (from 1/11/03) and R.E. Trawicki are also employees of the ultimate parent company Smiths Group plc or other group undertakings, and in some cases are Directors of other group undertakings. However the Directors do not believe it is possible to meaningfully allocate these emoluments between their respective duties. These Directors do not receive any emoluments from the Company (2003: £nil).

Highest paid director

	<u>2004</u> £'000	<u>2003</u> £'000
Total amount of emoluments	248	229
Accrued pension	41	36

The highest paid director has exercised share options in the financial year.

**5. STAFF COSTS**

	<u>2004</u> £'000	<u>2003</u> £'000
Wages and salaries	17,058	16,574
Social security costs	1,521	1,332
Other pension costs (see note 20)	2,464	1,747
	<u>21,043</u>	<u>19,653</u>

**6. EMPLOYEE INFORMATION**

The average number of persons employed by the Company during the year, including Executive Directors, was:

By activity	<u>2004</u> Number	<u>2003</u> Number
Manufacturing	326	401
Administration	427	427
	<u>753</u>	<u>828</u>

**SMITHS MEDICAL INTERNATIONAL LIMITED (formerly Portex Limited)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JULY 2004**

**7. EXCEPTIONAL ITEMS**

	<u>2004</u> £'000	<u>2003</u> £'000
Reorganisation costs	2,534	-
Profit on sale of Assets	(513)	-
	<u>2,021</u>	<u>-</u>

Reorganisation costs relate to the restructuring of the UK medical entities and the closure of a European production site. The profit on sale of assets has arisen following the transfer of part of the group's production assets to a dedicated overseas manufacturing facility.

**8. NET INTEREST RECEIVABLE**

	<u>2004</u> £'000	<u>2003</u> £'000
Interest receivable and similar income		
Interest receivable: bank	246	31
Interest receivable: parent undertaking	128	-
Interest receivable: other	-	271
Interest payable and similar charges		
Interest payable: bank	(9)	(2)
Bank charges	(46)	-
	<u>319</u>	<u>300</u>

**9. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	<u>2004</u> £'000	<u>2003</u> £'000
<b>United Kingdom current tax</b>		
UK corporation tax charge at 30% (2003: 30%)	<u>2,547</u>	<u>5,559</u>

	<u>2004</u> £'000	<u>2003</u> £'000
Profit on ordinary activities before taxation	<u>8,490</u>	<u>18,215</u>
Profit on ordinary activities multiplied by standard rate in the UK 30% (2003: 30%)	2,547	5,464
Effects of:		
Group relief adjustments	-	95
Current tax charge for the period	<u>2,547</u>	<u>5,559</u>

**SMITHS MEDICAL INTERNATIONAL LIMITED (formerly Portex Limited)****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 JULY 2004****10. DIVIDENDS**

No ordinary dividend has been paid to equity shareholders and a preference dividend of £41,000 has been paid and £2,000 provided for (2003: ordinary dividend of £17,000,000 and preference dividend of £2,000 paid to non-equity shareholders).

**11. TANGIBLE FIXED ASSETS**

	<u>Property</u>	<u>Plant and</u>	<u>Fixtures, fittings,</u>	<u>Total</u>
	<u>£'000</u>	<u>machinery</u>	<u>tools, equipment</u>	<u>£'000</u>
		<u>£'000</u>	<u>and vehicles</u>	
			<u>£'000</u>	<u>£'000</u>
<b>Cost</b>				
1 August 2003	-	13,901	26,314	40,215
Additions		1,646	2,264	3,910
Transfers from other group undertakings	4,116	2,980	2,899	9,995
Disposals	-	(698)	(2,655)	(3,353)
31 July 2004	<u>4,116</u>	<u>17,829</u>	<u>28,822</u>	<u>50,767</u>
<b>Depreciation</b>				
1 August 2003		8,001	17,409	25,410
Transfers from other group undertakings		2,021	2,207	4,228
Charge for period		1,066	2,421	3,487
Disposals		(581)	(2,385)	(2,966)
31 July 2004	-	<u>10,507</u>	<u>19,652</u>	<u>30,159</u>
<b>Net book value</b>				
31 July 2004	<u>4,116</u>	<u>7,322</u>	<u>9,170</u>	<u>20,608</u>
31 July 2003	-	<u>5,900</u>	<u>8,905</u>	<u>14,805</u>

**SMITHS MEDICAL INTERNATIONAL LIMITED (formerly Portex Limited)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JULY 2004**

**12. INTANGIBLE ASSETS**

Goodwill represents the difference between the price paid for Pneupac Limited and the net assets acquired. No goodwill arose on the purchase of Graseby Medical Limited.

<b><u>Goodwill</u></b>	<b>£'000</b>
<b>Cost</b>	
1 August 2003	-
Additions	6,950
	<u>6,950</u>
31 July 2004	<u>6,950</u>
<b>Amortisation</b>	
1 August 2003	-
Charge for period	145
	<u>145</u>
31 July 2004	<u>145</u>
<b>Net book value</b>	
31 July 2004	<u>6,805</u>

**13. INVESTMENTS**

	<b><u>2004</u></b>	<b><u>2003</u></b>
	<b>£'000</b>	<b>£'000</b>
<b>Investment in Subsidiaries</b>		
Pneupac Limited	7,835	-
Graseby Medical Limited	<u>229</u>	-
	<u>8,064</u>	-
<b>Other Investments</b>		
Other Investments	468	468
Written off in the year	<u>(468)</u>	<u>-</u>
	-	468

The other investment was a convertible distribution licence for which the option to convert expires on 22<sup>nd</sup> April 2005.

**14. STOCKS**

	<b><u>2004</u></b>	<b><u>2003</u></b>
	<b>£'000</b>	<b>£'000</b>
Raw materials and consumables	7,097	5,316
Work in progress	975	751
Finished goods and goods for resale	15,679	15,870
	<u>23,751</u>	<u>21,937</u>



**SMITHS MEDICAL INTERNATIONAL LIMITED (formerly Portex Limited)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JULY 2004**

**15. DEBTORS**

	<u>2004</u> £'000	<u>2003</u> £'000
<b>Due within one year:</b>		
Trade debtors	20,939	15,761
Amounts owed by group undertakings	37,788	29,267
Other debtors and prepayments	2,005	1,925
	<u>60,732</u>	<u>46,953</u>
<b>Due after more than one year:</b>		
Finance Leases	237	-
	<u>60,969</u>	<u>46,953</u>

On 20th June 1995 the Company granted an interest bearing loan facility to Flexible Ducting Limited, an agent of Smiths Industries Industrial Group Limited and a fellow subsidiary of Smiths Group plc. EUR 10,671,000 was taken up on 22nd June 1995 for a 6 month period and subsequently rolled forward. The value of the loan included in Amounts owed by group undertakings is:

	<u>2004</u> £'000	<u>2003</u> £'000
Loan converted at date of draw down	8,932	8,932
Gain/(Loss) on exchange at year end conversion rate	(1,469)	(1,469)
Repaid	(7,463)	-
	<u>-</u>	<u>7,463</u>

**16. CREDITORS: amounts falling due within one year**

	<u>2004</u> £'000	<u>2003</u> £'000
Trade creditors	7,668	4,631
Amounts owed to group undertakings	17,785	3,277
Taxes and social security costs	1,309	792
Other creditors	458	13
Accruals and deferred income	2,585	1,448
Provisions: Portex SA	1,425	-
Provisions: Ambu litigation	350	-
Provisions: Watford reorganisation	648	-
	<u>32,228</u>	<u>10,161</u>

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**17. CALLED UP SHARE CAPITAL**

	<u>2004</u> £'000	<u>2003</u> £'000
<b>Authorised</b>		
50,000 ordinary shares of £1 each	<u>50</u>	<u>50</u>
<b>Allotted and fully paid</b>		
43,217 ordinary shares of £1 each (2003: 43,215)	43	43
20,000 7% preference shares of €2 each	27	28
	<u>70</u>	<u>71</u>

The 7% cumulative preference shares carry a fixed cumulative preferential dividend at the rate of 7% per annum payable annually in arrears on or before 30 September. The shares have no redemption entitlement. On winding up the holders have priority before all other classes of shares to receive repayment of capital plus any arrears of dividend. The holders have the same voting rights as the other classes of shares.

**18. RESERVES**

	<b>Share premium account £'000</b>	<b>Profit and loss account £'000</b>
At 1 August 2003	63,276	10,703
Additions in year	8,064	-
Retained profit for the financial year	-	5,900
At 31 July 2004	<u>71,340</u>	<u>16,603</u>

**19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<u>2004</u> £'000	<u>2003</u> £'000
Profit for the financial year	5,943	12,656
Dividends	(43)	(17,002)
	<u>5,900</u>	<u>(4,346)</u>
Rate of exchange on Euro preference shares	(1)	3
Additions to Share Premium	8,064	-
Net addition/(reduction) to shareholders' funds	<u>13,963</u>	<u>(4,343)</u>
Opening shareholders' funds	74,050	78,393
Closing shareholders' funds	<u>88,013</u>	<u>74,050</u>

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**20. PENSIONS**

The Company's employees are members of various defined benefit pension schemes which cover the United Kingdom employees of Smiths Group plc. Contributions to these schemes are based upon advice received from independent actuaries taking account of the costs of each relevant scheme as a whole. The information required in FRS 17 is disclosed for the group as a whole in the consolidated accounts of Smiths Group plc.

The Company has adopted FRS 17 'Retirement benefits' in the financial statements. The Company is unable to identify its share of the underlying assets and liabilities of the pension scheme and accordingly has continued to account for its contributions to the scheme as if it were a defined contribution scheme.

The contributions paid to the scheme in 2004 totalled £2,464,000 (2003: £1,747,000).

**21. CAPITAL AND OTHER COMMITMENTS**

The following future capital expenditure commitments, not otherwise provided for in these financial statements, existed at the balance sheet date:

	<u>2004</u> £'000	<u>2003</u> £'000
Amounts contracted for	<u>707</u>	<u>1,426</u>
Authorised but not contracted for	<u>2,696</u>	<u>2,204</u>

**22. FINANCIAL COMMITMENTS UNDER OPERATING LEASES**

At 31 July 2004, the company had annual commitments under non-cancellable operating leases for land and buildings expiring as follows:

	<u>2004</u> £'000	<u>2003</u> £'000
Within one year	-	36
Within two to five years	-	-
After five years	<u>67</u>	<u>32</u>

**23. ULTIMATE PARENT UNDERTAKING**

The immediate parent undertaking is Smiths Group plc which is also the ultimate parent undertaking and controlling party and is registered in England and Wales. Copies of the financial statements of Smiths Group plc can be obtained from The Company Secretary, Smiths Group plc, 765 Finchley Road, London NW11 8DS.