

Registration number: 02087534

Spembly Medical Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2020

THURSDAY



AAKEUSE3

A16

30/12/2021

#216

COMPANIES HOUSE

Spembly Medical Limited

Contents

Strategic Report	1 to 2
Director's Report	3 to 4
Statement of Director's Responsibilities in Respect of the Financial Statements	5
Independent Auditors' Report	6 to 9
Statement of Comprehensive Income	10
Balance Sheet	11
Statement of Changes in Equity	12
Notes to the Financial Statements	13 to 22

Spembly Medical Limited

Strategic Report for the Year Ended 31 December 2020

The director presents the Strategic Report for the year ended 31 December 2020.

Principal activities

The Company acts as a holding company for subsidiaries involved in the sale of medical products.

Fair review of the business

The profit for the year amounted to £179,050 (2019 - £31,113,059). At 31 December 2020 the Company had net assets of £9,368,696 (at 31 December 2019 - £414,363,527).

An interim ordinary dividend of £468,108,640 was paid in the year (2019: £30,150,086) and the director does not propose the declaration of a final ordinary dividend (2019: £nil).

On 17 August 2020, the Company received a dividend distribution of £2,840,733 from its subsidiary Integra LifeSciences NR Ireland Limited.

On 18 August 2020, the Company converted all of its preference share capital of 100,398,886 shares of £1 each to 100,398,886 ordinary shares of £1 each.

On 18 August 2020, the Company paid £2,840,738 (2019: £4,264,060) in respect of accrued preference share interest to its parent Integra NeuroSciences Holdings (UK) Limited.

On 17 August 2020, the Company cancelled its entire sum of £117,029,517 from its share premium account.

On 17 August 2020, the Company reduced the nominal value of its 261,127,253 fully paid ordinary shares from £1 to £0.05.

On 18 November 2020, the Company reduced the nominal value of its 261,127,253 fully paid ordinary shares from £0.05 to £0.01.

On 14 December 2020, the Company received a dividend distribution of £15,386 from its subsidiary Integra NeuroSciences Limited.

In November 2020, the Company transferred its holdings in Integra LifeSciences Switzerland Sàrl, INS Sweden AB, Integra CI Inc, and Integra LifeSciences NR Ireland Limited to a fellow group company at cost for £468,108,640.

As a result of the COVID-19 pandemic in 2020, the Company's subsidiaries saw a short term decline in activity, but this is not expected to be significant in the long-term.

The director considers the financial position of the Company at the year-end to be satisfactory.

Financial key performance indicators

The Company does not trade, has no turnover, gross margin or operating expenses. Due to the nature of the Company, monitoring the company's progress with reference to Key Performance Indicators ("KPIs") is not considered relevant.

Spemby Medical Limited

Strategic Report for the Year Ended 31 December 2020

Principal risks and uncertainties

The Company operates in a highly competitive market. This competition results in downward pressure on prices and therefore margins, and to combat this, the wider Integra Group, who supply the Company, heavily focuses on reducing costs in their manufacturing operations.

As a result of the COVID-19 pandemic in 2020, the Company saw a short term loss of revenue. The Company does not expect this to be significant in the long term. There has been no changes to the Company's employee headcount as a result of the pandemic.

The Company does not expect to be significantly affected by the exit of the United Kingdom from the European Union in 2020.

S172 Statement and stakeholder engagement

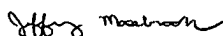
The director has acted in a way that they consider, in good faith, to be most likely to promote the long-term success of the Company for the benefit of its direct and indirect shareholders while having regard for all stakeholders, including fellow group companies and the wider community.

In particular, during the year, the director considered the receipt of dividend income from its subsidiaries and the distribution of preference and ordinary dividends to its parent.

Future prospects

The director expects the company's current activities to continue for the foreseeable future.

Approved by the Board on 20 December 2021 and signed on its behalf by:



.....
Jeffrey Mosebrook
Director

Spembly Medical Limited

Director's Report for the Year Ended 31 December 2020

The director presents the report and the audited financial statements for the year ended 31 December 2020.

Results and dividends

The profit for the year amounted to £179,050 (2019 - £31,113,059). At 31 December 2020 the Company had net assets of £9,368,696 (at 31 December 2019 - £414,363,527).

An interim ordinary dividend of £468,108,640 was paid in the year (2019: £30,150,086) and the director does not propose the declaration of a final ordinary dividend (2019: £nil).

Financial risk management

The Company's operations expose it to a variety of financial risks that include the effects of liquidity risk and interest rate risk. However, the company is part of a much larger group of companies ultimately owned and controlled by Integra LifeSciences Holdings Corporation, a company incorporated in the State of Delaware, United States of America and listed on the NASDAQ (IART). The risk bearing liabilities are inter-company debts and, as the parent company has in place programmes to monitor and limit the adverse effects on the financial performance of the group by monitoring levels of debt finance and the related finance costs, no such programme is considered necessary for the individual company.

The Company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

Given the size of the Company and its nature as a subsidiary in a much larger group, the director has not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the Company's finance department. The department has a policy and procedures manual that sets out specific guidelines to manage interest rate risk and credit risk and circumstances where it would be appropriate to use financial instruments to manage these.

Going concern

On the basis of their assessment of the Company's financial position and resources, the director believes that the Company is well placed to manage its business risks. Therefore the director has concluded that there is no material uncertainty with respect to the Company's going concern and that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors of the company

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

Sravan Emany (resigned 3 December 2021)

Jeffrey Mosebrook

Qualifying third party indemnity provision

During the year and at the date the financial statements were signed, qualifying third party indemnity insurance was in place for the benefit of the directors.

Spembly Medical Limited

Director's Report for the Year Ended 31 December 2020

Future prospects

This has been included within the Strategic Report on page 2.

Director's confirmations

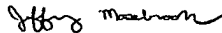
In this case of each director in office at the date the Director's Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

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

Approved by the Board on 20 December 2021 and signed on its behalf by:



.....
Jeffrey Mosebrook
Director

Spembly Medical Limited

Statement of Director's Responsibilities in Respect of the Financial Statements

The director is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, the director 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 the financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The director is also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Spembly Medical Limited

Independent Auditor's Report to the Members of Spembly Medical Limited

Report on the audit of the financial statements

Opinion

In our opinion, Spembly Medical Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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: Balance Sheet as at 31 December 2020; Statement of Comprehensive Income, 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the director with respect to going concern are described in the relevant sections of this report.

Spembly Medical Limited

Independent Auditor's Report to the Members of Spembly Medical Limited

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 director is 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 Director's Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Director's Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the director for the financial statements

As explained more fully in the Statement of Director's Responsibilities in respect of the financial statements, the director is 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 director is 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.

Spembly Medical Limited

Independent Auditor's Report to the Members of Spembly Medical Limited

In preparing the financial statements, the director is 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 director either intends to liquidate the company or to cease operations, or has 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to Companies Act 2006 and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries to increase income or reduce expenditure, in doing so increasing profitability, and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud, and review of board minutes;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the impairment of investments; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by unexpected users.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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.

Spembly Medical Limited

Independent Auditor's Report to the Members of Spembly Medical Limited

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.

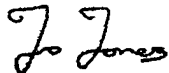
Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained 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 director's 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.



.....
Jo Jones (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton

21 December 2021

Spembly Medical Limited

Statement of Comprehensive Income for the Year Ended 31 December 2020

	Note	2020 £	2019 £
Income from shares in group undertakings	3	2,856,124	35,377,089
Interest payable and similar expenses	4	<u>(2,677,074)</u>	<u>(4,264,030)</u>
Profit before tax		179,050	31,113,059
Tax on profit	7	<u>-</u>	<u>-</u>
Profit for the financial year		<u>179,050</u>	<u>31,113,059</u>

The above results were derived from continuing operations.

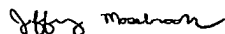
The company has no recognised gains or losses for the year other than the results above.

Spembly Medical Limited

(Registration number: 02087534)
Balance Sheet as at 31 December 2020

	Note	2020 £	2019 £
Fixed assets			
Investments	9	8,975,018	477,068,272
Current assets			
Debtors	10	434,581	441,501
Creditors: Amounts falling due within one year	11	<u>(40,903)</u>	<u>(63,146,246)</u>
Net current assets/(liabilities)		<u>393,678</u>	<u>(62,704,745)</u>
Total assets less current liabilities		<u>9,368,696</u>	<u>414,363,527</u>
Net assets		<u>9,368,696</u>	<u>414,363,527</u>
Capital and reserves			
Called up share capital	12	2,611,273	198,192,494
Share premium account		-	117,029,517
Profit and loss account		<u>6,757,423</u>	<u>99,141,516</u>
Shareholders' funds		<u>9,368,696</u>	<u>414,363,527</u>

The financial statements on pages 10 to 22 were approved by the Board of Directors on 20 December 2021 and signed on its behalf by:



.....
Jeffrey Mosebrook
Director

Spembly Medical Limited

Statement of Changes in Equity for the Year Ended 31 December 2020

	Called up share capital £	Share premium account £	Profit and loss account £	Total £
At 1 January 2019	198,192,494	117,029,517	98,178,543	413,400,554
Profit for the financial year	-	-	31,113,059	31,113,059
Total comprehensive income	-	-	31,113,059	31,113,059
Dividends	-	-	(30,150,086)	(30,150,086)
At 31 December 2019	198,192,494	117,029,517	99,141,516	414,363,527
	Share capital £	Share premium £	Profit and loss account £	Total £
At 1 January 2020	198,192,494	117,029,517	99,141,516	414,363,527
Profit for the financial year	-	-	179,050	179,050
Total comprehensive income	-	-	179,050	179,050
Dividends	-	-	(468,108,640)	(468,108,640)
Conversion of preference share capital classed as liability	62,934,759	-	-	62,934,759
Share capital reduction	(258,515,980)	-	258,515,980	-
Share premium reduction	-	(117,029,517)	117,029,517	-
At 31 December 2020	2,611,273	-	6,757,423	9,368,696

During the year, the Company converted all of its preference share capital of 100,398,886 shares of £1 each to 100,398,886 ordinary shares of £1 each. Included in this amount were 62,935 shares which had been classed as a liability in 2019.

On 17 August 2020, the Company cancelled its entire sum of £117,029,517 from its share premium account and reduced the nominal value of its 261,127,253 fully paid ordinary shares from £1 to £0.05.

Spembly Medical Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

1 General information

The company is a private company limited by share capital, incorporated in United Kingdom.

The address of its registered office is:

West Wing, 2nd Floor
Kingsgate House
Newbury Road
Andover
Hampshire
SP10 4DU
United Kingdom

The Company does not trade but acts as a holding company for subsidiaries involved in the sale of medical products. These financial statements were authorised for issue by the Board on 20 December 2021.

2 Accounting policies

Statement of compliance

These financial statements were prepared in accordance with the Companies Act 2006 and Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK.

Basis of preparation

These financial statements have been prepared using the historical cost convention. The accounting policies have been applied consistently, other than where new policies have been adopted.

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

Going concern

On the basis of their assessment of the Company's financial position and resources, the director believes that the Company is well placed to manage its business risks. Therefore the director has concluded that there is no material uncertainty with respect to the Company's going concern and that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Spemby Medical Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

2 Accounting policies (continued)

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, if certain conditions, have been complied with, including notification of and no objection to, the use of exemptions by the Company's shareholders. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. The Company is a qualifying entity as its results are consolidated into the financial statements of Integra LifeSciences Holdings Corporation which are publicly available.

As a qualifying entity, the Company has taken advantage of the following exemptions:

- i) from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102;
- ii) from the requirement to present certain financial instrument disclosures, as required by sections 11 and 12 of FRS 102;
- iii) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv) of FRS 102;
- iv) from the requirement to disclose the key management personnel compensation in total as required by paragraph 33.7 of FRS 102; and
- v) from the requirement to disclose related party transactions under paragraph 33.1A of FRS 102, 'Related Party Disclosures', on the grounds that it is a wholly owned subsidiary of a group headed by Integra LifeSciences Holdings Corporation, whose financial statements are publicly available.

Consolidation

The Company has chosen to take advantage of the exemption provided in Section 401 of the Companies Act 2006 which exempts a parent company from preparing consolidated financial statements on the basis that the company is a wholly owned subsidiary whose ultimate parent prepares consolidated financial statements that are publicly available (see note 13). These financial statements therefore present information about the company as an individual undertaking and not about its group.

Investments

Investments held as fixed assets are stated at cost less provision for any impairment. Where there are any indications of impairment, management consider, by reference to the underlying net assets of the subsidiary and projections of its future profitability, whether any provision for impairment is required.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows obtainable as a result of the asset's continued use. The cash flows are discounted using an appropriate pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in profit or loss.

If an impairment loss is subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in profit or loss.

Spembly Medical Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

2 Accounting policies (continued)

Income from group undertakings

Income from group undertakings comprises dividend income from subsidiary undertakings.

Tax

Current tax is provided at amounts expected to be paid or recovered using tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Interest payable and similar expenses

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

Financial instruments

The Company has chosen to adopt the sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets including amounts owed by group undertakings are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Spembly Medical Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

2 Accounting policies (continued)

(ii) Financial liabilities

Basic financial liabilities, including amounts owed to group undertakings are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

The Company does not hold or issue derivative financial instruments.

Compound financial instruments comprise convertible preference shares that can be converted to ordinary share capital at the option of the holder, and the number of shares to be issued does not vary with the change in their fair value. The liability component of a compound financial instrument is initially recognised at the fair value of a similar liabilities that do not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle to liability simultaneously.

Dividends

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

Critical accounting judgements and key source of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities.

The carrying values of the Company's investments involve judgement and depend on the value of its subsidiaries' net assets and their forecast future profitability and cash flows. Management undertake an annual assessment at each balance sheet date.

The classification of the Company's preference shares, which are a compound financial instrument, between debt and equity involves judgement. The identification of the debt component has been carried out with reference to the fair market value of similar liabilities that do not have an equity conversion.

Spembly Medical Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

3 Income from shares in group undertakings

	2020	2019
	£	£
Dividends received from subsidiary	<u>2,856,124</u>	<u>35,377,089</u>

4 Interest payable and similar expenses

	2020	2019
	£	£
Interest on preference shares	<u>2,677,074</u>	<u>4,264,030</u>

5 Staff costs and directors' remuneration

There were no employees or staff costs in the year (2019: none). The directors are all employees of other group companies and received no remuneration for their services as directors of the company during the year (2019: £nil). Their services to the company are incidental and of a non-executive nature and their remuneration, including pension, benefits, is deemed to be wholly attributable to their services to other group companies.

6 Audit fees

Audit fees of £5,000 (2019: £5,000) have been borne by the Company's direct subsidiary undertaking, Integra NeuroSciences Limited a company incorporated in England, with a registered office located at West Wing, 2nd Floor, Kingsgate House, Newbury Road, Andover, Hampshire SP10 4DU, United Kingdom.

7 Taxation

Tax charged in the income statement

	2020	2019
	£	£
Current taxation		
UK corporation tax	-	-

Spemby Medical Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

7 Taxation (continued)

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2019 - lower than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £	2019 £
Profit before tax	<u>179,050</u>	<u>31,113,059</u>
Profit multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	34,019	5,911,481
Non-taxable income	(542,664)	(6,721,647)
Expenses not deductible for tax purposes	<u>508,645</u>	<u>810,166</u>
Total tax charge	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted by Finance Act 2016). This new law was substantively enacted on 17 March 2020.

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. As the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to increase the tax expense for the period by £nil.

8 Dividends

An interim ordinary dividend of £468,108,640 was paid in the year (2019: £30,150,086) and the director does not propose the declaration of a final ordinary dividend (2019: £nil). Dividend per share were £2.91 (2019: £0.19).

9 Investments

	2020 £	2019 £
Investments in subsidiaries	<u>8,975,018</u>	<u>477,068,272</u>

Spembly Medical Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

9 Investments (continued)

Subsidiaries	£
Cost or valuation	
At 1 January 2020	477,068,272
Additions	15,386
Disposals	<u>(468,108,640)</u>
At 31 December 2020	<u>8,975,018</u>
Carrying amount	
At 31 December 2020	<u>8,975,018</u>
At 31 December 2019	<u>477,068,272</u>

Details of undertakings

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
			2020	2019
Subsidiary undertakings				
Integra NeuroSciences Limited	United Kingdom	Ordinary	100%	100%
Spembly Cryosurgery Limited*	United Kingdom	Ordinary	100%	100%
Integra LifeSciences Switzerland SARL	Switzerland	Ordinary	0%	100%
INS Sweden AB	Sweden		0%	100%
Integra LifeSciences Austria GmbH	Austria	Ordinary	100%	100%
Integra Cayman Islands Inc	Cayman Islands	Ordinary	0%	100%
Integra LifeSciences NR Ireland Limited	Cayman Islands	Ordinary	0%	100%
Integra LifeSciences (Ireland) Limited**	Ireland	Ordinary	0%	100%
Integra LifeSciences Spain SL	Spain	Ordinary	100%	100%

Spembly Medical Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

9 Investments (continued)

*Holding in this company is held indirectly through Integra NeuroSciences Limited.

**Holding in this company is held indirectly through Integra LifeSciences NR Ireland Limited.

The principal activity of Integra NeuroSciences Limited is medical products. Spembly Cryosurgery Limited is dormant. Both companies have a registered office located at Kingsgate House, Newbury Road, Andover, Hampshire SP10 4DU, United Kingdom.

The principal activity of Integra LifeSciences (Ireland) Limited is medical products. This company has a registered office at Unit 8D, Dunshaughlin Business Park, Dunshaughlin, Co Meath, Ireland.

The principal activity of Integra LifeSciences Switzerland Sàrl is medical products. This company has a registered office at Rue Giradet 29, 2nd Floor, CH-2400, Le Locle, Switzerland.

INS Sweden AB is dormant and has a registered office at MAQS Advokatbyrå, Box 11918, 404 39 Goteborg Sweden.

The principal activity of Integra LifeSciences Austria GmbH is medical products. This company has a registered office at Corazza Kocholl Laimer Rechtsanwälte OG, Maximilianstrasse 9, 6020 Innsbruck, Austria.

The principal activity of Integra LifeSciences NR Ireland Limited is medical products. This company has a registered office at 190 Elgin Avenue, George Town, Grand Cayman KY1-9007, Cayman Islands.

The principal activity of Integra Cayman Islands Inc is medical products. This company has a registered office at 190 Elgin Avenue, George Town, Grand Cayman KY1-9007, Cayman Islands.

Integra LifeSciences Spain SL is dormant and has a registered office at C/. Pradillo, 5 bajo ext dcha, 28002 Madrid, Spain.

As well as equity investments, the Company's cost of investment also includes a non-refundable, noninterest bearing, non-reiprocal capital contribution of £nil (2019: £100.4m) made to Integra LifeSciences Switzerland Sarl and a non-refundable, non-interest bearing, non-reiprocal capital contribution of £0.6m (2019: £0.6m) made to Integra LifeSciences Austria GmbH.

In November 2020, the Company transferred its holdings in Integra LifeSciences Switzerland Sàrl, INS Sweden AB, Integra CI Inc, and Integra LifeSciences NR Ireland Limited to a fellow group company at cost for £468,108,640.

10 Debtors

	Note	2020 £	2019 £
Amounts owed by group undertakings		434,581	441,501
		<u>434,581</u>	<u>441,501</u>

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

Spembly Medical Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

11 Creditors: amounts falling due within one year

	Note	2020 £	2019 £
Preference shares (2019: 62,934,759 of £1 each)		-	62,934,759
Amounts owed to group undertakings		<u>40,903</u>	<u>211,487</u>
		<u>40,903</u>	<u>63,146,246</u>

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

The Company has nil (2019: 100,398,886) preference shares of £1 each. Nil (2019: 62,934,759) shares were deemed as representing a debt component and classified as a liability. All preference shares were converted to ordinary share capital in November 2020. A fixed dividend of £0.0425 per share per annum (2019: £0.0425 per share per annum) is payable on the last day of each quarter in each year. Further details of the terms of the company's preference shares are disclosed in note 12.

12 Called up share capital

Allotted, called up and fully paid shares

	2020 No.	£	2019 No.	£
Preference shares of £1 each	-	-	37,464,127	37,464,127
Ordinary shares of £0.01 (2019 - £1) each	<u>261,127,253</u>	<u>2,611,273</u>	<u>160,728,367</u>	<u>160,728,367</u>
	<u>261,127,253</u>	<u>2,611,273</u>	<u>198,192,494</u>	<u>198,192,494</u>

During the year, the Company converted all of its preference share capital of 100,398,886 shares of £1 each to 100,398,886 ordinary shares of £1 each. Included in this amount were 62,934,759 shares which had been classed as a liability.

On 17 August 2020, the Company cancelled its entire sum of £117,029,517 from its share premium account and reduced the nominal value of its 261,127,253 fully paid ordinary shares from £1 to £0.05. On 18 November 2020, the Company reduced the nominal value of its 261,127,253 fully paid ordinary shares from £0.05 to £0.01. The reductions in ordinary share capital generated £258,515,980 which was transferred to retained earnings.

Spembly Medical Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

13 Relationship between entity and parents

The immediate parent undertaking is Integra Switzerland Holdings Sàrl, a company incorporated in Switzerland, with a registered office located at Rue Girardet 29, 2400 Le Locle, Switzerland.

The ultimate parent undertaking and controlling party is Integra LifeSciences Holdings Corporation a company incorporated in the state of Delaware, United States of America, with a business address located at 311 Enterprise Drive, Plainsboro, NJ 08536, United States of America. Integra LifeSciences Holdings Corporation is the parent of the smallest and largest group to consolidate these financial statements. Copies of Integra LifeSciences Holdings Corporation's consolidated financial statements can be obtained from the Company Secretary at Integra LifeSciences Holdings Corporation, 311 Enterprise Drive, Plainsboro, NJ 08536, United States of America.