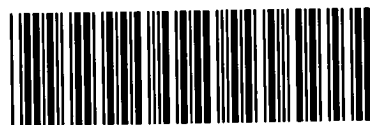


Company Registration No. 1146741 (England and Wales)

SMITH & NEPHEW USD LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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COMPANIES HOUSE

SMITH & NEPHEW USD LIMITED

COMPANY INFORMATION

| | |
|--------------------------|--|
| Directors | S.M. Swabey T.J. Allison J. Ashworth V.A. Reuben |
| Company number | 1146741 |
| Registered office | Building 5 Croxley Park Hatters Lane Watford Hertfordshire WD18 8YE |
| Auditors | KPMG LLP 15 Canada Square London United Kingdom E14 5GL |

SMITH & NEPHEW USD LIMITED

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SMITH & NEPHEW USD LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors present the strategic report and financial statements for Smith & Nephew USD Limited, (the "Company"), for the year ended 31 December 2018.

Review of the business

The principal activity of the Company continues to be that of an investment holding company for the overseas subsidiary undertakings of the Smith & Nephew Group.

The operating profit for the year amounted to \$8,233,000 (2017: operating profit of \$4,241,000). The profit for the year after taxation amounted to \$146,218,000 (2017: \$33,184,000).

Principal risks and uncertainties

The principal risks facing the Company are a decrease in the recoverable value of investments in subsidiary undertakings to below carrying value, which would occur if there was a decline in the performance of the underlying subsidiaries.

On behalf of the Board

Susan M. Swabey

.....
S.M. Swabey

Director

Building 5

Croxley Park

Hatters Lane

Watford

Hertfordshire

WD18 8YE

Date: 12 September 2019

SMITH & NEPHEW USD LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors present the Directors' report and financial statements for the year ended 31 December 2018.

Principal activities

The principal activity of the Company continues to be that of an investment holding company for the overseas subsidiary undertakings of the Smith & Nephew Group, (the "Group"). As a holding company, the Directors do not consider it necessary to disclose key performance indicators.

The Company has branches in the Netherlands, Luxembourg, Saudia Arabia and United Arab Emirates. The branch in United Arab Emirates has regional management oversight over the Africa, Asia and Latin America regions.

Results and dividends

The results for the year are set out on page 8.

The profit for the year after taxation amounted to \$146,218,000 (2017: \$33,184,000). The Directors did not pay an interim dividend for the year ended 31 December 2018 (2017: \$2,000,000,000).

Directors

The Directors, who served throughout the year and to the date of this report except as noted, were as follows:

S.M. Swabey
T.J. Allison
J. Ashworth
V.A. Reuben

Indemnity

The Company's ultimate parent company, Smith & Nephew plc, has made qualifying third party indemnity provision for the benefit of the Company's Directors which were in place throughout the year and which remain in place at the date of approval of this report.

Political donations

No political donations were made during the year (2017: \$nil).

Supplier payment policy

The Company's current policy concerning the payment of trade creditors is to follow the CBI's Prompt Payers Code (copies are available from the CBI, Centre Point, 103 New Oxford Street, London WC1A 1DU).

The Company's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the Company's contractual and other legal obligations.

Future developments

Notwithstanding the risks and uncertainties outlined below, the Directors do not anticipate any significant changes in the activities and results of the Company. The Company continues to look for new investment opportunities and monitor its current investments.

Risks and uncertainties

The principal risks facing the Company is a decrease in the recoverable value of its investments, which would occur if there was a decline in the performance of the underlying subsidiaries.

SMITH & NEPHEW USD LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Going Concern

Notwithstanding net current liabilities of \$1,160,929,000 as at 31 December 2018 the financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Company's going concern is dependent on the Company's ultimate parent company, Smith & Nephew plc not seeking repayment of the amounts currently due from the Company, which at 31 December 2018 amounted to \$1,167,829,000. Smith & Nephew plc has indicated that it does not intend to seek repayment of these amounts for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Auditor

Pursuant to section 487 of the Companies Act 2006, the Auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Statement of disclosure to Auditor

So far as the Directors are aware, there is no relevant audit information of which the Company's Auditor is unaware. Additionally, the Directors have taken all the necessary steps that they ought to have taken as Directors in order to make themselves aware of all relevant audit information and to establish that the Company's Auditor is aware of that information.

On behalf of the Board

S.M. Swabey

.....
S.M. Swabey

Director

Building 5

Croxley Park

Hatters Lane

Watford

Hertfordshire

WD18 8YE

Date: *12 September 2019*

Company Registration No. 1146741

SMITH & NEPHEW USD LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 31 DECEMBER 2018

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 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 judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

SMITH & NEPHEW USD LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SMITH & NEPHEW USD LIMITED

Opinion

We have audited the financial statements of Smith & Nephew USD Limited ("the Company") for the year ended 31 December 2018 which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the Directors, such as the recoverable amounts of its investments in subsidiaries and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model, including the impact of Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

SMITH & NEPHEW USD LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SMITH & NEPHEW USD LIMITED

Strategic report and Directors' report

The Directors are responsible for the Strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic report and the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

SMITH & NEPHEW USD LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SMITH & NEPHEW USD LIMITED

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Zulfikar Wani (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

United Kingdom

E14 5GL

Date: 12/9/19

SMITH & NEPHEW USD LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2018

| | | 2018 | 2017 |
|---------------------------------------|--------------|----------------|---------------|
| | Notes | \$000 | \$000 |
| Operating income | | 22,458 | 24,926 |
| Administrative expenses | | (14,225) | (20,685) |
| Operating profit | 2 | 8,233 | 4,241 |
| Investment income | 5 | 914,840 | 154,098 |
| Interest payable and similar expenses | 6 | (127,468) | (115,041) |
| Amounts written off investments | 7 | (648,388) | (10,500) |
| Profit before taxation | | 147,217 | 32,798 |
| Tax | 8 | (999) | 386 |
| Profit after taxation | 16 | 146,218 | 33,184 |

The accompanying notes on pages 12 to 29 form part of the financial statements.

SMITH & NEPHEW USD LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

| | 2018 | 2017 |
|---|----------------|-----------------|
| | \$000 | \$000 |
| Profit for the year | 146,218 | 33,184 |
| | <hr/> | <hr/> |
| Other comprehensive income | | |
| Items that may be reclassified to profit or loss | | |
| Fair value remeasurement of available for sale asset | - | (10,525) |
| | <hr/> | <hr/> |
| Total items that may be reclassified to profit or loss | - | (10,525) |
| | <hr/> | <hr/> |
| Total other comprehensive (loss)/income for the year | - | (10,525) |
| | <hr/> | <hr/> |
| Total comprehensive income for the year | 146,218 | 22,659 |
| | <hr/> | <hr/> |

The accompanying notes on pages 12 to 29 form part of the financial statements.

SMITH & NEPHEW USD LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2018

| | Notes | 2018 \$000 | 2017 \$000 |
|--|-------|--------------------|--------------------|
| Fixed assets | | | |
| Tangible fixed assets | 9 | 2,158 | 2,144 |
| Investments | 10 | 12,320,086 | 12,909,971 |
| | | <u>12,322,244</u> | <u>12,912,115</u> |
| Current assets | | | |
| Debtors | 11 | 21,300 | 20,387 |
| Cash at bank and in hand | | 648 | 706 |
| | | <u>21,948</u> | <u>21,093</u> |
| Creditors: amounts falling due within one year | | | |
| Loans and overdrafts | 12 | - | 1,150,000 |
| Trade creditors and other payables | 13 | 1,182,566 | 767,029 |
| Current tax | | 311 | 1,082 |
| | | <u>1,182,877</u> | <u>1,918,111</u> |
| Net current liabilities | | <u>(1,160,929)</u> | <u>(1,897,018)</u> |
| Total assets less current liabilities | | <u>11,161,315</u> | <u>11,015,097</u> |
| Creditors: amounts falling due after more than one year | | | |
| Loans and overdrafts | 12 | 1,068,915 | 1,068,915 |
| Net assets | | <u>10,092,400</u> | <u>9,946,182</u> |
| Capital and reserves | | | |
| Called up share capital | 14 | 728,347 | 728,347 |
| Share premium account | 15 | 2,369,940 | 2,369,940 |
| Revaluation reserve | | 96,703 | 96,703 |
| Profit and loss account | 16 | 6,897,410 | 6,751,192 |
| Total equity | | <u>10,092,400</u> | <u>9,946,182</u> |

The financial statements were approved by the Board of Directors and authorised for issue on 12 September 2019
Signed on its behalf by:

S.M. Swabey
S.M. Swabey
Director

Company Registration No. 1146741

The accompanying notes on pages 12 to 29 form part of the financial statements.

SMITH & NEPHEW USD LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

| | Share capital \$000 | Share premium account \$000 | Revaluation reserve \$000 | Retained earnings \$000 | Total \$000 |
|---|---------------------------|-----------------------------------|---------------------------------|-------------------------------|----------------|
| Balance at 1 January 2017 | 728,347 | 2,369,940 | 96,703 | 8,728,533 | 11,923,523 |
| Profit for the year | - | - | - | 33,184 | 33,184 |
| Other comprehensive loss for the year | - | - | - | (10,525) | (10,525) |
| Total comprehensive income for the year | - | - | - | 22,659 | 22,659 |
| Dividends | - | - | - | (2,000,000) | (2,000,000) |
| Balance at 31 December 2017 | 728,347 | 2,369,940 | 96,703 | 6,751,192 | 9,946,182 |
| Profit for the year | - | - | - | 146,218 | 146,218 |
| Total comprehensive income for the year | - | - | - | 146,218 | 146,218 |
| Balance at 31 December 2018 | 728,347 | 2,369,940 | 96,703 | 6,897,410 | 10,092,400 |

The accompanying notes on pages 12 to 29 form part of the financial statements.

SMITH & NEPHEW USD LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

Smith & Nephew USD Limited (the "Company") is a private company limited by shares. The Company is incorporated, domiciled and registered in England in the United Kingdom. The registered number is 1146741 and the registered address is Building 5, Croxley Park, Hatters Lane, Watford, Hertfordshire, WD18 8YE. The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare Group financial statements. These financial statements present information about the Company as an individual undertaking and not about its Group.

1.1 Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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: (i) paragraph 79(a) (iv) of IAS 1, (ii) paragraph 73(e) of IAS 16 Property Plant and Equipment (iii) paragraph 118 (e) of IAS 38 Intangibles Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 39 to 40, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- 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 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; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

The financial statements are prepared in US dollars, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest \$1,000.

Where required, equivalent disclosures are given in the Group accounts of Smith & Nephew plc. The Group accounts of Smith & Nephew plc are available to the public and can be obtained at Building 5, Croxley Park, Hatters Lane, Watford, Hertfordshire, WD18 8YE or online via www.smith-nephew.com.

SMITH & NEPHEW USD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

i) Change in accounting policy

On 1 January 2018, the Company adopted IFRS 9 *Financial Instruments*. The Company has not restated comparative information for prior periods with respect to classification and measurement requirements.

The amendments to IFRS 9 mainly relate to the classification and measurement of financial instruments. IFRS 9 largely retains the existing requirements in IAS 39 *Financial Instruments: Recognition and Measurement* for the classification and measurement of financial liabilities; however, it eliminates the previous IAS 39 categories for financial assets held to maturity, loans and receivables and available for sale. The Company elected, from 1 January 2018, to present changes in the fair value of trade investments in the income statement. The Company also elected to continue to apply the hedge accounting guidance in IAS 39 *Financial Instruments: Recognition and Measurement*.

i) Adopted IFRS not yet applied

IFRS 16 Leases has been adopted but not yet applied by the Company in these financial statements as its application is not expected to have a material effect on the financial statements of the Company.

1.2 Going concern

At the time of approving the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Notwithstanding net current liabilities of \$1,160,929,000 as at 31 December 2018 the financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Company's going concern is dependent on the Company's fellow subsidiary company, Smith & Nephew plc not seeking repayment of the amounts currently due from the Company, which at 31 December 2018 amounted to \$1,167,829,000. Smith & Nephew plc has indicated that it does not intend to seek repayment of these amounts for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.3 Investment Income

Investment income is measured at the fair value of the consideration received or receivable. It represents dividend income which is recognised when the right to receive payment is established.

1.4 Investments in subsidiaries

Investments in subsidiaries are recorded at their cost less any accumulated impairment in value.

SMITH & NEPHEW USD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.5 Tangible fixed assets

Tangible fixed assets are stated at cost and, except for freehold land, are depreciated over their useful economic lives. Freehold and long-leasehold buildings are depreciated on a straight-line basis at between 2% and 5% per annum. Short-leasehold land and buildings (leases of under 50 years) are depreciated by equal annual instalments over the term of the lease. Plant, equipment and vehicles are depreciated over lives ranging between 3 and 20 years by equal annual instalments to write down the assets to their estimated disposal value at the end of their working lives.

The useful lives and residual values of all property, plant and equipment are reviewed each financial year end, and where adjustments are required these are made prospectively.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset at date of disposal, and is recognised in the profit and loss account.

1.6 Impairment of investments, tangible and intangible assets

At each reporting end date, the Company reviews the carrying amounts of its investments, tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried in at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Company is exempt under FRS 101 from the disclosure requirements of IFRS 13.

1.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

SMITH & NEPHEW USD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.9 Financial assets

Financial assets are recognised in the Company's balance sheet when the Company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs, other than those classified as fair value through profit and loss (FVTPL), which are measured at fair value.

Loans and receivables

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term (under 12 months) receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.10 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the Company's obligations are discharged, cancelled, or they expire.

SMITH & NEPHEW USD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.11 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

1.12 Taxation

The tax expense for the year comprises current tax.

Current tax

The current income tax expense is based on taxable profits of the period, after any adjustments for prior periods and overseas tax suffered. It is calculated using taxation rates enacted or substantively enacted by the Balance Sheet date and is measured at the amount expected to be recovered or paid.

Deferred tax

Deferred tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid, using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

1.13 Foreign exchange

Transactions in currencies other than in the Company's functional currency are initially recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities dominated in currencies other than the Company's functional currency are translated at the rate of exchange ruling at the balance sheet date with exchange differences recognised in the profit or loss account, except those relating to hedging. Where assets and liabilities denominated in foreign currencies are used to finance or hedge foreign equity investments, the difference on translation of these assets and liabilities is offset as an adjustment to reserves to the extent that it is matched by a corresponding movement in the investment.

1.14 Preference shares

Preference shares issued by the Company are treated as a financial monetary liability. Dividends on preference shares are recorded as part of interest expense.

1.15 Significant judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements have had the most significant effect on amounts recognised in the financial statements.

Impairment of non-financial assets

Where there are indicators of impairment of investments in subsidiaries and associates which indicate that the carrying value may not be recoverable, the Company performs impairment tests on these investments based on the fair value by comparing the carrying value with its recoverable amount being the higher of its fair value less costs to sell and its value in use.

SMITH & NEPHEW USD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

2 Profit for the year

| | Note | 2018 \$000 | 2017 \$000 |
|---|------|-------------------|-------------------|
| Profit for the year is stated after charging/(crediting): | | | |
| Net foreign exchange losses | | 146 | 2,595 |
| Depreciation of property, plant and equipment | | 61 | 108 |
| Loss on disposal of fixed asset investment | | 183 | - |
| Staff costs | | 18,640 | 17,141 |
| Fair value changes in investments | 10 | (10,080) | - |
| | | <u> </u> | <u> </u> |

3 Auditor's remuneration

| | 2018 \$000 | 2017 \$000 |
|---|-------------------|-------------------|
| Fees payable to the Company's auditor: | | |
| For audit services | | |
| Audit of the Company's financial statements | 20 | 20 |
| | <u> </u> | <u> </u> |

Audit fees were borne by a fellow Group company.

4 Employees

The average number of employees were:

| | 2018 Number | 2017 Number |
|-----------------------------|-------------------|-------------------|
| Average number of employees | 108 | 59 |
| | <u> </u> | <u> </u> |

Their aggregate remuneration comprised:

| | 2018 \$000 | 2017 \$000 |
|---|-------------------|-------------------|
| Employment costs | | |
| Wages, salaries and social security costs | 14,809 | 13,843 |
| Pension costs | 315 | 320 |
| Share based payments | 2,215 | 2,045 |
| Other staff costs | 1,301 | 933 |
| | <u> </u> | <u> </u> |
| | 18,640 | 17,141 |
| | <u> </u> | <u> </u> |

The Directors of Smith & Nephew USD Limited are remunerated for the provision of services provided for the consolidated Smith & Nephew Group, and not specifically in their capacity as Directors of this Company. The aggregate remuneration of Directors specific to qualifying activities performed solely in relation to their appointment for Smith & Nephew USD Limited is grossly immaterial.

SMITH & NEPHEW USD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

5 Investment income

| | 2018 \$000 | 2017 \$000 |
|--|---------------|---------------|
| Income from fixed asset investments | | |
| Dividends received | 914,840 | 154,098 |

6 Finance costs

| | 2018 \$000 | 2017 \$000 |
|--|---------------|---------------|
| Interest on financial liabilities measured at amortised cost: | | |
| Dividends on redeemable preference shares not classified as equity | 26,293 | 24,409 |
| Interest payable to parent undertaking | - | 74,727 |
| Interest payable to group undertakings | 101,175 | 15,905 |
| | 127,468 | 115,041 |

7 Amounts written off investments

| | 2018 \$000 | 2017 \$000 |
|------------|---------------|---------------|
| Impairment | 648,388 | 10,500 |

\$626,671,000 of the charge relates to the impairment of the Company's investment in Smith & Nephew AG. Smith & Nephew AG paid a dividend of \$792,000,000 to the Company which caused the value of its net assets to fall below the value of the Company's investment in Smith & Nephew AG.

\$21,717,000 relates to the impairment of the investment in Smith ve Nephew Medikal Cihazlar Ticaret Limited Sirketi.

SMITH & NEPHEW USD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

8 Income tax expense

| | 2018 \$000 | 2017 \$000 |
|---|---------------|---------------|
| Current tax | | |
| Current year taxation | 484 | (414) |
| Adjustments in respect of prior periods | 515 | 28 |
| | <u>999</u> | <u>(386)</u> |

The charge/(credit) for the year can be reconciled to the profit per the profit and loss account as follows:

| | 2018 \$000 | 2017 \$000 |
|---|----------------|---------------|
| Profit before taxation | <u>147,217</u> | <u>32,798</u> |
| Expected tax charge based on a corporation tax rate of 19% (2017: 19.25%) | 27,971 | 6,314 |
| Non deductible/(non taxable items) | (47,345) | (24,801) |
| Adjustments in respect of prior periods | 515 | 28 |
| Deemed income/expense for tax purposes | (1,674) | - |
| Effects of group relief/other reliefs | 21,532 | 18,073 |
| | <u>999</u> | <u>(386)</u> |

For the year ended 31 December 2018, the corporation tax rate was 19.00% (2017: 19.25%)

SMITH & NEPHEW USD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

9 Tangible fixed assets

| | Land and buildings | Plant, equipment and vehicles | Total |
|--|-----------------------|-------------------------------------|-------|
| | \$000 | \$000 | \$000 |
| Cost | | | |
| At 1 January 2017 | 627 | 2,243 | 2,870 |
| Additions | 138 | 90 | 228 |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2017 | 765 | 2,333 | 3,098 |
| Additions | - | 75 | 75 |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2018 | 765 | 2,408 | 3,173 |
| | <hr/> | <hr/> | <hr/> |
| Accumulated depreciation/impairment | | | |
| At 1 January 2017 | 475 | 371 | 846 |
| Depreciation charge for the year | 74 | 34 | 108 |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2017 | 549 | 405 | 954 |
| Depreciation charge for the year | 44 | 17 | 61 |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2018 | 593 | 422 | 1,015 |
| | <hr/> | <hr/> | <hr/> |
| Carrying amount | | | |
| At 31 December 2018 | 172 | 1,986 | 2,158 |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2017 | 216 | 1,928 | 2,144 |
| | <hr/> | <hr/> | <hr/> |

The net book value of land and buildings of \$172,000 consists of long leasehold property.

SMITH & NEPHEW USD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

10 Investments

| | Non-current 2018 \$000 | 2017 \$000 |
|---|------------------------------|-------------------|
| Available-for-sale investment carried at fair value | 18,480 | 8,400 |
| Investments in subsidiaries | 12,301,606 | 12,901,571 |
| | <u>12,320,086</u> | <u>12,909,971</u> |

The Company has not designated any financial assets that are not classified as held for trading as financial assets at fair value through profit or loss.

Movements in fixed asset investments

| | Shares in fellow group subsidiaries and related undertakings \$000 |
|------------------------|---|
| Cost | |
| At 1 January 2018 | 12,987,471 |
| Additions | 48,606 |
| Valuation changes | 10,080 |
| Disposals | (183) |
| At 31 December 2018 | <u>13,045,974</u> |
| Impairment | |
| At 1 January 2018 | (77,500) |
| Impairment losses | (648,388) |
| At 31 December 2018 | <u>(725,888)</u> |
| Carrying amount | |
| At 31 December 2018 | <u>12,320,086</u> |
| At 31 December 2017 | <u>12,909,971</u> |

The Company adopted IFRS 9 on 1 January 2018 and elected to present changes in the fair value of trade investments in the income statement from that date. The fair value remeasurement of trade investments in 2017 was recognised in other comprehensive income.

SMITH & NEPHEW USD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

11 Debtors

| | 2018 \$000 | 2017 \$000 |
|--|---------------|---------------|
| Other receivables | 3,517 | 2,544 |
| Amounts due from subsidiary undertakings | 17,422 | 17,245 |
| Prepayments | 361 | 598 |
| | <u>21,300</u> | <u>20,387</u> |

Allowance losses on amounts owed by fellow group undertakings are calculated by reviewing 12-month expected credit losses using historic and forward-looking data on credit risk. The loss allowance expense for the year was \$nil (2017: \$nil).

12 Loans and overdrafts

| | 2018 \$000 | 2017 \$000 |
|---|------------------|------------------|
| Unsecured borrowings at amortised cost | | |
| Redeemable preference shares | 448,915 | 448,915 |
| Loan owed to fellow group undertakings | - | 1,770,000 |
| Loan owed to parent undertaking | 620,000 | - |
| | <u>1,068,915</u> | <u>2,218,915</u> |

Analysis of loans and overdrafts

Borrowings are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

| | 2018 \$000 | 2017 \$000 |
|---------------------------------|------------------|------------------|
| Due within one year liabilities | - | 1,150,000 |
| Due after one year liabilities | 1,068,915 | 1,068,915 |
| | <u>1,068,915</u> | <u>2,218,915</u> |

SMITH & NEPHEW USD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

13 Trade creditors and other payables

| | Due within one year | |
|---|---------------------|----------------|
| | 2018 | 2017 |
| | \$000 | \$000 |
| Amount due to parent undertaking | 1,167,829 | 734,841 |
| Accrued interest due to fellow Group undertakings | - | 10,755 |
| Amounts due to fellow group undertakings | 7,861 | 14,374 |
| Accruals | 6,876 | 6,906 |
| Other creditors | - | 153 |
| | <u>1,182,566</u> | <u>767,029</u> |

14 Share capital

| | 2018 | 2017 |
|---|--------------------|--------------------|
| | \$ | \$ |
| Ordinary share capital | | |
| Issued and fully paid | | |
| 728,346,939 Ordinary shares of \$1 each | 728,346,939 | 728,346,939 |
| 100 Deferred shares of £1 each | 148 | 148 |
| | <u>728,347,087</u> | <u>728,347,087</u> |

Additionally the Company has authorised, issued and fully paid 448,915,000 redeemable preference shares of \$1 each classified as liabilities. These shares do not carry voting rights. Refer to Note 12.

15 Share premium account

| | \$000 |
|---|------------------|
| At 31 December 2017 & at 31 December 2018 | <u>2,369,940</u> |

There was no movement in share premium account during the year. This reserve represents the excess consideration received above the nominal value of share capital.

SMITH & NEPHEW USD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

16 Retained earnings

| | \$000 |
|--|-------------|
| At 1 January 2017 | 8,728,533 |
| Profit for the year | 33,184 |
| Dividends | (2,000,000) |
| Fair value remeasurement of available for sale asset | (10,525) |
| | <hr/> |
| At 31 December 2017 | 6,751,192 |
| | <hr/> |
| Profit for the year | 146,218 |
| | <hr/> |
| At 31 December 2018 | 6,897,410 |
| | <hr/> <hr/> |

The profit and loss account contains \$3,945,999,000 which is not distributable.

17 Contingent liabilities

The Company, together with Smith & Nephew plc and certain fellow subsidiary undertakings, has entered into guarantees with the National Westminster Bank plc in respect of the net overdrafts of the other parties to the guarantee. The maximum exposure under this guarantee amounts to £10 million (2017 - £10 million).

18 Events after the reporting date

In March 2019 the Company disposed of its investment in Ortho-Space Ltd. for total fair value consideration of \$31m. Cash consideration of \$16m was received in 2019 and further cash consideration of \$2m will be received in 2020. Contingent consideration of \$13m will be received upon certain milestones being achieved.

On 31 May 2019, the Company, via fellow group undertakings, completed the acquisition of the Brainlab Orthopaedic Joint Reconstruction business ("Brainlab OJR"). The acquisition supports the Group's strategy to invest in best-in-class technologies that further its multi-asset digital surgery and robotic ecosystem.

On 1 July 2019 the Company completed the acquisition of 100% of the share capital of Atracsys Sàrl, a Switzerland-based provider of optical tracking technology used in computer-assisted surgery. The acquisition supports the Group's long-term commitment to develop its multi-asset digital surgery and robotics ecosystem to empower surgeons and improve clinical outcomes. The maximum consideration is \$43 million and the provisional fair value of consideration is \$42 million which includes \$14 million of deferred consideration and \$5 million of contingent consideration. The fair value of contingent consideration is determined from the acquisition agreement, the risk-adjusted cash flows from the Board approved acquisition model and a risk-free discount rate of 2.3%.

SMITH & NEPHEW USD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

19 Subsidiaries and other related undertakings

In accordance with Section 409 of the Companies Act 2006, a full list of subsidiaries and other related undertakings is given below.

| Company name | Registered office address | Proportion of ownership interest (%) |
|---|--|--------------------------------------|
| A2 Surgical (2) | 40 - 52 Boulevard du Parc, 92200, Neuilly-sur-Seine, France | 100.00 |
| Adler Mediequip Private Limited (2) | Sushrut House, Survey no.288, Phase II, Hinjewadi, at Mann, Taluka Mulshi, Pune, 411 057, India | 100.00 |
| ArthroCare (Australasia) Pty Ltd (2) (in liquidation) | 85 Waterloo Road, North Ryde NSW 2113, Australia | 100.00 |
| ArthroCare Belgium SPRL (1) | Hector Henneaulaan 366, 1930 Zaventem, Belgium | 100.00 |
| ArthroCare Corporation (2) | c/o The Corporation Trust Company, CT Center, 1209 Orange Street, Wilmington, Delaware, 19801, USA | 100.00 |
| ArthroCare Costa Rica Srl (1) | Building B32, 50 meters South of Revisión Técnica Vehicular, Alajuela, San Jose, Costa Rica | 100.00 |
| ArthroCare India Medical Device Private Limited (2) | 501-B Dynasty Business Park, Andheri Kurla Road, Andheri East, Mumbai, Maharashtra, 400059, India | 100.00 |
| ArthroCare Luxembourg Sarl (1) | 163, rue de Kiem, L-8030 Strassen, Luxembourg | 100.00 |
| ArthroCare Medical Devices (Beijing) Co. Limited (2) (in liquidation) | Room 17-021, Internal B17 floor, B3-24th floor, No 3 Xin Yuan South Rd, Chao Yang, Beijing, China | 100.00 |
| Bioventus LLC (2) | c/o The Corporation Trust Company, CT Center, 1209 Orange Street, Wilmington, Delaware, 19801, USA | 49.00 |
| Blue Belt Holdings, Inc. (2) | c/o The Corporation Trust Company, CT Center, 1209 Orange Street, Wilmington, Delaware, 19801, USA | 100.00 |
| Blue Belt Technologies UK Limited (2) | Building 5, Croxley Park, Hatters Lane, Watford, Hertfordshire, WD18 8YE | 100.00 |
| Blue Belt Technologies, Inc. (2) | CT Corporation, 1515 Market Street, Philadelphia PA 19102, USA | 100.00 |
| DC LLC (2) | 8/1 Stroiteley Street, 142290, City of Puschino, Moscow Region, Russian Federation | 100.00 |
| Delphi Ventures V, L.P. (2) | c/o The Corporation Trust Company, CT Center, 1209 Orange Street, Wilmington, Delaware, 19801, USA | 6.90 |
| Healicoil Inc (2) | c/o The Corporation Trust Company, CT Center, 1209 Orange Street, Wilmington, Delaware, 19801, USA | 100.00 |
| Hipco, Inc. (2) | c/o The Corporation Trust Company, CT Center, 1209 Orange Street, Wilmington, Delaware, 19801, USA | 100.00 |
| Leaf Healthcare, Inc. (2) | c/o Corporation Services Company, 251 Little Falls Drive, Wilmington, New Castle, DE 19808, USA | 11.00 |
| Memphis Biomed Ventures I, L.P. (2) | c/o National Registered Agents, Inc., 160 Greentree Drive, Suite 101, Dover, Kent, DE 19904, USA | 4.61 |
| Oratec Interventions, Inc. (2) | c/o The Corporation Trust Company, CT Center, 1209 Orange Street, Wilmington, Delaware, 19801, USA | 100.00 |
| Orthopaedic Biosystems Ltd., Inc. (2) | CT Corporation System, 3800 North Central Avenue, Suite 460, Phoenix AZ 85012, USA | 100.00 |
| Ortho-Space Ltd. (2) | 7 Halamarish, Caesarea, 3088900, Israel | 16.80 |
| Osteobiologics, Inc. (2) | c/o The Corporation Trust Company, CT Center, 1209 Orange Street, Wilmington, Delaware, 19801, USA | 100.00 |

SMITH & NEPHEW USD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

| 19 Subsidiaries and other related undertakings | (Continued) |
|--|--|
| Plus Orthopedics (Beijing) Co., Ltd (2) (in liquidation) | 22 Linhe Avenue, Linhe Economic Development Zone, Shunyi District, Beijing, 101300 PRC 100.00 |
| Plus Orthopedics Hellas S.A (2) (in liquidation) | Protopappa Street 43, GR 16346, Ilioupoli, Athens, Greece 100.00 |
| Plus Orthopedics Holding AG (1) | Oberneuhofstrasse 10d, Baar, 6340, Switzerland 100.00 |
| Plus Orthopedics LLC (2) | c/o The Corporation Trust Company, CT Center,1209 Orange Street, Wilmington, Delaware, 19801, USA 100.00 |
| Rotation Medical, Inc. (2) | c/o The Corporation Trust Company, CT Center,1209 Orange Street, Wilmington, Delaware, 19801, USA 100.00 |
| S&N Holdings SAS (2) | Calle 100 No. 7 - 33 to 1 P3, Bogota D.C., 00000, Colombia 100.00 |
| Sinopsys Surgical, Inc. (2) | c/o The Corporation Trust Company, CT Center,1209 Orange Street, Wilmington, Delaware, 19801, USA 12.40 |
| Smith & Nephew (Alberta) Inc (2) | 3500-855-2 Street SW, Calgary AB AB T2P 4J8, Canada 100.00 |
| Smith & Nephew (Europe) B.V. (1) | Bloemlaan 2, 2132NP, Hoofddorp, Netherlands 100.00 |
| Smith & Nephew (pty) Limited (1) | 30 The Boulevard, Westway Office Park, Westville, 3629, South Africa 100.00 |
| Smith & Nephew A/S (1) | Slotsmarken 14, Hoersholm, DK-2970, Denmark 100.00 |
| Smith & Nephew AG (2) | Oberneuhofstrasse 10d, Baar, 6340, Switzerland 100.00 |
| Smith & Nephew Aktiebolag (1) | PO Box 143, S-431 22 Molndal, Sweden 100.00 |
| Smith & Nephew Argentina S.R.L. (1) | Maipu 1300, 13th Floor, City of Buenos Aires, Argentina 90.00 |
| Smith & Nephew ARTC Limited (2) | Building 5, Croxley Park, Hatters Lane, Watford, Hertfordshire, WD18 8YE 20.24 |
| Smith & Nephew AS (1) | Nye Vakas vei 64, 1395, Hvalsted, Norway 100.00 |
| Smith & Nephew B.V. (2) | Bloemlaan 2, 2132NP, Hoofddorp, Netherlands 100.00 |
| Smith & Nephew Beijing Holdings Limited (1) | Unit 813-816, 8/F Delta House, 3 On Yiu Street, Shatin New Territories, Hong Kong 100.00 |
| Smith & Nephew Business Services GmbH & Co KG (2) | Friesenweg 4, Haus 21, 22763, Hamburg, Germany 100.00 |
| Smith & Nephew Business Services Verwaltungs GmbH (2) | Friesenweg 4, Haus 21, 22763, Hamburg, Germany 100.00 |
| Smith & Nephew China Holdings UK Limited (1) | Building 5, Croxley Park, Hatters Lane, Watford, Hertfordshire, WD18 8YE 100.00 |
| Smith & Nephew Chusik Hoesia (1) | 13F, ASEM Tower, 517, Yeongdong-daero, Gangnam-gu, Seoul, 06164, Korea 100.00 |
| Smith & Nephew Colombia SAS (2) | Calle 100 No. 7 - 33 to 1 P3, Bogota D.C., Colombia 100.00 |
| Smith & Nephew Comercio de Produtos Medicos LTDA (2) | 277 Centro Empresarial, Torre B, 4 andar, conjunto 403, Jabaquara, Sao Paulo, CEP 04311-000, Brazil 100.00 |
| Smith & Nephew Consolidated, Inc. (2) | c/o The Corporation Trust Company, CT Center,1209 Orange Street, Wilmington, Delaware, 19801, USA 100.00 |
| Smith & Nephew Curacao N.V. (2) | Pietermaai 15, PO Box 4905, Curacao 100.00 |
| Smith & Nephew Deutschland (Holding) GmbH (2) | Friesenweg 4, Haus 21, 22763, Hamburg, Germany 100.00 |
| Smith & Nephew Finance Ireland Limited (2) | 3rd Floor, Kilmore House, Park Lane, Spencer Dock, Dublin 1, Ireland 100.00 |
| Smith & Nephew Finance S.a.r.l (1) | 163, rue de Kiem, L-8030 Strassen, Luxembourg 100.00 |

SMITH & NEPHEW USD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

| 19 Subsidiaries and other related undertakings | | (Continued) |
|--|--|-------------|
| Smith & Nephew France SAS (1) | 40 - 52 Boulevard du Parc, 92200, Neuilly-sur-Seine, France | 100.00 |
| Smith & Nephew FZE (1) | Office No. LB02016, PO Box 16993, Jebel Ali, Dubai | 100.00 |
| Smith & Nephew GmbH (1) | Concorde Business Park 1/C/3, 2320, Schwechat, Austria | 100.00 |
| Smith & Nephew GmbH (2) | Friesenweg 4, Haus 21, 22763, Hamburg, Germany | 100.00 |
| Smith & Nephew Healthcare Private Limited (1),(2) | 501-B - 509 B Dynasty Business Park, Andheri Kurla Road, Andheri East, Mumbai-59, Maharashtra, India | 100.00 |
| Smith & Nephew Healthcare Sdn. Berhad (1) | Level 25, Menara Hong Leong, 6 Jalan Damanlela, Kuala Lumpur W.P., 50490 Kuala Lumpur, Malaysia | 100.00 |
| Smith & Nephew Hellas S.A. (1) (in liquidation) | Protopappa Street 43, GR 16346, Ilioupoli, Athens, Greece | 100.00 |
| Smith & Nephew Inc. (1) | 199, Bay Street, 4000 Toronto On M5L 1A9, Canada | 100.00 |
| Smith & Nephew Inc. (2) | Edificio Cesar Castillo, Calle Angel Buonomo #361, Hato Rey, 00917, Puerto Rico | 100.00 |
| Smith & Nephew International S.A (2) | 163, rue de Kiem, L-8030 Strassen, Luxembourg | 100.00 |
| Smith & Nephew KK (2) | 2-4-1, Shiba -Koen, Minato -Ku, Tokyo 105-0011, Japan | 100.00 |
| Smith & Nephew Lda (1) | Estrada Nacional nº 10 ao Km. 131, Bloco C, 2625-445 Forte de Casa, Vila Franca de Xira, Portugal | 99.99 |
| Smith & Nephew Limited (1) | Unit 813-816, 8/F Delta House, 3 On Yiu Street, Shatin NT, Hong Kong | 100.00 |
| Smith & Nephew Limited (1) | 36a Hillside Road, Wairau Valley, Auckland, 0627, New Zealand | 100.00 |
| Smith & Nephew Limited (1), (2) | 16th Floor Building A, 9th Tower Grand Rama 9, 33/4 Rama 9 Road, Bangkok, 10310, Thailand | 100.00 |
| Smith & Nephew LLC (2) | 2nd Syromyatnichesky Lane 1, 9th Floor, Premises 1, Room 1, 105120, Moscow, Russian Federation | 100.00 |
| Smith & Nephew Management B.V. (1) | Bloemlaan 2, 2132NP, Hoofddorp, Netherlands | 100.00 |
| Smith & Nephew Manufacturing AG (2) | Schachenallee 29, 5000, Aarau, Switzerland | 100.00 |
| Smith & Nephew Medical (Shanghai) Limited (1) | Unit B, Floor 4, General Factory Building, No. 188 Ao Na Rd., Pilot Free Trade Zone, Shanghai, China | 100.00 |
| Smith & Nephew Medical (Suzhou) Limited (2) | 12, Wuxiang Road, West Area of Comprehensive Bonded Zone, Suzhou, Jiangsu Province, China | 100.00 |
| Smith & Nephew N.V.-S.A (1) | Hector Henneaulaan 366, 1930 Zaventem, Belgium | 100.00 |
| Smith & Nephew Nederland CV (2) | Bloemlaan 2, 2132NP, Hoofddorp Netherlands | 100.00 |
| Smith & Nephew Orthopaedics GmbH (2) | Alemannenstrasse 14, 78532 Tuttlingen, Germany | 100.00 |
| Smith & Nephew Orthopedics (Beijing) Co. Ltd (2) | No. 98 Kechuang Dongliujie, Beijing Economic and Technical Development Area, Beijing, China | 100.00 |
| Smith & Nephew Orthopedics AG (2) | Oberneuhofstrasse 10d, Baar, 6340, Switzerland | 100.00 |
| Smith & Nephew OUS Inc (2) | c/o The Corporation Trust Company, CT Center, 1209 Orange Street, Wilmington, Delaware, 19801, USA | 100.00 |
| Smith & Nephew Oy (1) | Ayritie 12 C, 01510 Vantaa, Finland | 100.00 |
| Smith & Nephew Pharmaceuticals (Proprietary) Ltd (2) | 30 The Boulevard, Westway Office Park, Westville, 3629, South Africa | 100.00 |

SMITH & NEPHEW USD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

| 19 Subsidiaries and other related undertakings | (Continued) |
|--|-------------|
| Smith & Nephew Pte Ltd (1) 50 Raffles Place, #32-01 Singapore Land Tower, 048623, Singapore | 100.00 |
| Smith & Nephew Pty Ltd (1) 85 Waterloo Road, North Ryde NSW 2113, Australia | 100.00 |
| Smith & Nephew S.A de C.V (2) Av. Insurgentes Sur, numero 1602, Piso No.7, Oficina 702, Colonia Credito, C.P. 03940, Mexico | 100.00 |
| Smith & Nephew S.A.S (2) 40-52 Boulevard du Parc, 92200 Neuilly Sur Seine , France | 100.00 |
| Smith & Nephew S.A.U (1) Edificio Conata I, c/ Fructuos Gelabert 2 y 4, San Joan Despi - 08970, Barcelona, Spain | 100.00 |
| Smith & Nephew s.r.l. (1) 20864 Agrate Brianza, Via De Capitani 2A, Italy | 100.00 |
| Smith & Nephew Schweiz AG (2) Oberneuhofstrasse 10d, Baar, 6340, Switzerland | 100.00 |
| Smith & Nephew Services SDN. BHD. (1) Level 25, Menara Hong Leong, NO. 6 Jalan Damanlela Bukit Damansara, 50490 Kuala Lumpur | 100.00 |
| Smith & Nephew sp z.o.o (1) Ul Osmanska 12, 02-823 Warszawa, Poland | 100.00 |
| Smith & Nephew Superannuation Scheme Limited (2) 36a Hillside Road, Wairau Valley, Auckland, 0627, New Zealand | 100.00 |
| Smith & Nephew Surgical Holdings Pty Ltd (1) 85 Waterloo Road, North Ryde NSW 2113, Australia | 100.00 |
| Smith & Nephew Surgical Pty Ltd (2) 85 Waterloo Road, North Ryde NSW 2113, Australia | 100.00 |
| Smith & Nephew Suzhou Holdings Limited (1) Unit 813-816, 8/F Delta House, 3 On Yiu Street, Shatin NT, Hong Kong | 100.00 |
| Smith & Nephew USD One Limited (1) Building 5, Croxley Park, Hatters Lane, Watford, Hertfordshire, WD18 8YE | 100.00 |
| Smith & Nephew, Inc (2) c/o The Corporation Trust Company, CT Center,1209 Orange Street, Wilmington, Delaware, 19801, USA | 100.00 |
| Smith & Nephew Medikal Cihazlar Ticaret Limited Sirketi (1) Bahçeköy Merkez Mahallesi, Ergene Nehri Sokak, No:8/4 Bahçeköy-Sariyer, Istanbul, Turkey | 100.00 |
| Sri Siam Medical Limited (1) 16th Floor, GPF Witthayu Tower A, 93/1 Wireless Road, Lumpini, Phatumwan, Bangkok, 10330, Thailand | 99.94 |
| Surgical Frontiers Series I, LLC (2) c/o National Registered Agents, Inc., 160 Greentree Drive, Suite 101, Dover, Kent, DE 19904, USA | 33.46 |
| Tenet Medical Engineering Inc (2) 3500-855-2 Street SW, Calgary AB AB T2P 4J8, Canada | 100.00 |
| Trice Medical, Inc. (2) c/o Corporation Services Company, 251 Little Falls Drive, Wilmington, New Castle, DE 19808, USA | 6.99 |
| Smith & Nephew (Ireland) Trading Limited (1) 13-18 City Quay, Dublin 2, D02 ED70, Ireland | 100.00 |
| Ceterix Orthopaedics, Inc. (2) CT Corporation, 1209 Orange Street, Wilmington, DE 19801, USA | 100.00 |
| Miach Orthopaedic, Inc. (2) c/o Martha Murray, 19 Saddlebrook Road, Sherborn, MA 01770, USA | 8.30 |
| Charlie Merger Corp (2) 251, Little Falls Drive, Wilmington, Country of New Castle DE 19808, USA | 100.00 |

(1) Interest held directly by the Company.

(2) Interest held indirectly by the Company.

SMITH & NEPHEW USD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

20 Ultimate parent Company and parent Company of a larger Group

The Company is a subsidiary undertaking of TP Limited which is the immediate parent company incorporated in Scotland. The ultimate parent undertaking of the Company is Smith & Nephew Plc. The smallest and largest group in which the results of the Company are consolidated is that headed by Smith & Nephew plc. The consolidated financial statements of the Group are available to the public and may be obtained from Building 5, Croxley Park, Hatters Lane, Watford, Hertfordshire, WD18 8YE or online via www.smith-nephew.com.