

Company Registration No. 1146741 (England and Wales)

SMITH & NEPHEW USD LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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SMITH & NEPHEW USD LIMITED

COMPANY INFORMATION

Directors	S.M. Swabey	
	T.J. Allison	
	J. Ashworth	(Resigned 21 October 2019)
	V.A. Reuben	
	I.C. Melling	(Appointed 21 October 2019)

Company number	1146741
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Registered office	Building 5 Croxley Park Hatters Lane Watford Hertfordshire WD18 8YE
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Auditors	KPMG LLP 15 Canada Square London United Kingdom E14 5GL
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SMITH & NEPHEW USD LIMITED

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SMITH & NEPHEW USD LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present the strategic report and financial statements for Smith & Nephew USD Limited, (the "Company"), for the year ended 31 December 2019.

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. During the year, the Company closed its branch in the Netherlands. This formed part of a material restructuring within the Smith+Nephew group of companies in which its subsidiary Smith & Nephew Management B.V. was liquidated resulting in the Company directly owning its investment in Smith & Nephew Consolidated Inc.

The operating profit for the year amounted to \$12,005,000 (2018: operating profit of \$8,233,000). The profit for the year after taxation amounted to \$146,353,000 (2018: \$146,218,000).

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.

COVID-19 and going concern

Since the balance sheet date, the COVID-19 pandemic has spread across the world. This has adversely impacted the elective surgeries market in which the Company's subsidiaries operate worldwide. The COVID-19 pandemic has, at the time of approving these financial statements, had no adverse impact on the Company. Uncertainty as to the length of the pandemic and the related measures to combat it mean that the 2020 full year impact cannot yet be known. The Company has received a letter of support from its parent company, Smith & Nephew plc, indicating that it will receive the financial and other support necessary for the Company to trade and meet its liabilities as and when they become due for a period of at least twelve months from the date of signing of these financial statements.

After making due enquiries and considering the impact of COVID-19 and the support available from the parent company described above, the directors have a reasonable expectation that the Company has adequate resources to continue in operation for at least twelve months from the date of the signing of these financial statements. These considerations included the impact of COVID-19 on the wider Smith & Nephew group and the Smith & Nephew group's directors' assessment of going concern (as set out in its interim results announcement dated 29 July 2020 and available at <https://www.smith-nephew.com/investor-centre/reporting/current-quarterly-results/>). Accordingly, the financial statements have been prepared on the going concern basis.

On behalf of the Board



S.M. Swabey

Director

Building 5

Croxley Park

Hatters Lane

Watford

Hertfordshire

WD18 8YE

Date: 19 November 2020

SMITH & NEPHEW USD LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present the Directors' report and financial statements for the year ended 31 December 2019.

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 Luxembourg, Saudi Arabia and the United Arab Emirates.

Results and dividends

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

The profit for the year after taxation amounted to \$146,353,000 (2018: \$146,218,000). The Directors did not pay an interim dividend for the year ended 31 December 2019 (2018: \$nil).

No preference dividends were paid. The directors do not recommend payment of a final dividend.

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

(Resigned 21 October 2019)

V.A. Reuben

I.C. Melling

(Appointed 21 October 2019)

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 (2018: \$nil).

Events after the reporting date

Since the balance sheet date, the COVID-19 pandemic has spread across the world. This has adversely impacted the elective surgeries market in which the Company's subsidiaries operate worldwide. This is considered a non-adjusting post-balance sheet event and the impact of COVID-19 will be reported in the 2020 financial statements. The COVID-19 pandemic has, at the time of approving these financial statements, had no adverse impact on the Company. Uncertainty as to the length of the pandemic and the related measures to combat it mean that the 2020 full year impact, including any impact on the carrying value of the Company's investment in subsidiaries cannot yet be known.

On 23 January 2020, the Company, via fellow group undertakings, completed the acquisition of 100% of the share capital of Tusker Medical, Inc., a developer of an innovative in-office solution for tympanostomy (ear tubes) called Tula. The acquisition supports the Company's strategy to invest in innovative technologies that address unmet clinical needs. The maximum consideration, all payable in cash, is \$140m and the provisional fair value consideration is \$139m and includes \$6m of deferred and \$35m of contingent consideration.

On 23 June 2020, the Company called and cancelled all of its 448,915,000 redeemable \$1 preference shares and also injected \$55m of capital into Smith & Nephew (Europe) B.V.. On 24 June 2020 the Company closed its branch in Luxembourg and on 26 June 2020 repaid its loan of \$620m to Smith & Nephew ARTC Limited along with accrued interest on the balance of \$4.4m.

SMITH & NEPHEW USD LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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.

Going Concern

Notwithstanding net current liabilities of \$1,801,554,000 as at 31 December 2019 and the current economic uncertainties arising from the COVID-19 outbreak, 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 2019 amounted to \$1,799,565,000. Smith & Nephew plc has indicated that it does not intend to seek repayment of these amounts for a period of twelve months from the date of approval of the financial statements.

Smith & Nephew plc has also indicated its intention to continue to make available funds as needed by the Company for a period of twelve months from the date of approval of the financial statements. 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 twelve months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

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.

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.

SMITH & NEPHEW USD LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

On behalf of the Board

Susan M. Swabey

S.M. Swabey

Director

Building 5

Croxley Park

Hatters Lane

Watford

Hertfordshire

WD18 8YE

Date: *19 November 2020*

Company Registration No. 1146741

SMITH & NEPHEW USD LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019 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 2019 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.

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 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.

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.

SMITH & NEPHEW USD LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SMITH & NEPHEW USD LIMITED

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 5, 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.

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 Walji (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

United Kingdom

E14 5GL

Date: 19 November 2020

SMITH & NEPHEW USD LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2019

		2019	2018
	Notes	\$000	\$000
Operating income		29,000	22,458
Administrative expenses		(16,995)	(14,225)
Operating profit	2	<u>12,005</u>	<u>8,233</u>
Investment income	5	256,142	914,840
Interest payable and similar expenses	6	(120,328)	(127,468)
Amounts written off investments	7	-	(648,388)
Profit before taxation		<u>147,819</u>	<u>147,217</u>
Income tax expense	8	(1,466)	(999)
Profit after taxation	17	<u><u>146,353</u></u>	<u><u>146,218</u></u>

The accompanying notes on pages 13 - 33 form part of the financial statements.

SMITH & NEPHEW USD LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
	\$000	\$000
Profit for the year	146,353	146,218
	<u> </u>	<u> </u>
Cash flow hedges:		
Losses arising during the year	(536)	-
	<u> </u>	<u> </u>
Total other comprehensive loss for the year	(536)	-
	<u> </u>	<u> </u>
Total comprehensive income for the year	145,817	146,218
	<u> </u>	<u> </u>

The accompanying notes on pages 13 - 33 form part of the financial statements.

SMITH & NEPHEW USD LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019 \$000	2018 \$000
Fixed assets			
Tangible fixed assets	9	1,244	2,158
Investments	10	13,121,092	12,320,086
		<u>13,122,336</u>	<u>12,322,244</u>
Current assets			
Debtors falling due after one year	11	12,921	-
Debtors falling due within one year	11	24,975	21,300
Cash at bank and in hand		834	648
		<u>38,730</u>	<u>21,948</u>
Creditors: amounts falling due within one year			
Trade creditors and other payables	13	1,839,769	1,182,566
Current tax		214	311
Lease liabilities		301	-
		<u>1,840,284</u>	<u>1,182,877</u>
Net current liabilities		<u>(1,801,554)</u>	<u>(1,160,929)</u>
Total assets less current liabilities		<u>11,320,782</u>	<u>11,161,315</u>
Creditors: amounts falling due after more than one year			
Loans and overdrafts	12	1,068,915	1,068,915
Trade creditors and other payables	13	13,346	-
Lease liabilities		304	-
		<u>1,082,565</u>	<u>1,068,915</u>
Net assets		<u>10,238,217</u>	<u>10,092,400</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
Hedging reserve	16	(536)	-
Profit and loss account	17	7,043,763	6,897,410
Total equity		<u>10,238,217</u>	<u>10,092,400</u>

SMITH & NEPHEW USD LIMITED

BALANCE SHEET (CONTINUED)

AS AT 31 DECEMBER 2019

The financial statements were approved by the Board of Directors and authorised for issue on19 November 2020
Signed on its behalf by:

.....*Susan M. Swabey*

S.M. Swabey

Director

Company Registration No. 1146741

The accompanying notes on pages 13 - 33 form part of the financial statements.

SMITH & NEPHEW USD LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Share premium account	Revaluation reserve	Hedging reserve	Retained earnings	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 January 2018	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
Profit for the year	-	-	-	-	146,353	146,353
Other comprehensive loss for the year	-	-	-	(536)	-	(536)
Total comprehensive (loss)/income for the year	-	-	-	(536)	146,353	145,817
Balance at 31 December 2019	728,347	2,369,940	96,703	(536)	7,043,763	10,238,217

The accompanying notes on pages 13 - 33 form part of the financial statements.

SMITH & NEPHEW USD LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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 of paragraph 58 of IFRS 16 Leases;
- 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 2019

1 Accounting policies

(Continued)

i) Change in accounting policy

On 1 January 2019, the Company adopted IFRS 16 Leases using the modified retrospective approach and the right-of-use asset on transition equalled the lease liability, adjusted by the amount of any rent-free period accruals. The cumulative effect of initially adopting IFRS 16 is recognised as an adjustment at 1 January 2019 with no restatement of comparative information. The Company applied the practical expedient to grandfather the definition of a lease on transition. The Company applied IFRS 16 only to contracts that were previously identified as containing a lease. Contracts that were not identified as containing a lease under IAS 17 or IFRIC 4 were not reassessed. The new definition of a lease has only been applied to contracts entered into from 1 January 2019.

i) Adopted IFRS not yet applied

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Company has not early adopted them in preparing these consolidated financial statements. These are not expected to have a significant impact on adoption.

1.2 COVID-19 and 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 \$1,801,554,000 as at 31 December 2019 and the current economic uncertainties arising from the COVID-19 outbreak, 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 2019 amounted to \$1,799,565,000. Smith & Nephew plc has indicated that it does not intend to seek repayment of these amounts for a period of at least twelve months from the date of signing of these financial statements.

Smith & Nephew plc has also indicated its intention to continue to make available funds as needed by the Company for a period of at least twelve months from the date of signing of these financial statements.

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 twelve months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

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.

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 2019

1 Accounting policies

(Continued)

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

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 2019

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 measured at fair value through profit or loss, 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

The company recognizes financial debt when the company becomes a party to the contractual provisions of the instruments. 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, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

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 2019

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 Hedge accounting

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at subsequent balance sheet dates. Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges of forecast third party transactions are recognised in other comprehensive income until the associated asset or liability is recognised. Amounts taken to other comprehensive income are transferred to the income statement in the period in which the hedged transaction affects profit and loss.

On adoption of IFRS 9 on 1 January 2018, the Company elected to continue to apply the hedge accounting guidance in IAS 39 Financial Instruments: Recognition and Measurement. Any ineffectiveness on hedging instruments and changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement within other finance costs as they arise. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in other comprehensive income is retained there until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is transferred.

1.13 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.

SMITH & NEPHEW USD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.14 IFRS 16 Leases

The assessment of whether a contract is or contains a lease takes place at the inception of the contract. The assessment involves whether the Company obtains substantially all the economic benefits from the use of that asset and whether the Company has the right to direct the use of the asset. The Company allocates the consideration in the contract to each lease and non-lease component. The non-lease component, where it is separately identifiable, is not included in the right-of-use asset.

The Company leases many assets including properties, motor vehicles and office equipment. The Company availed itself of the exemptions for short-term leases and leases of low-value items for leases other than those for properties and motor vehicles. The use of these exemptions does not have a material impact.

The Company recognises a right-of-use asset and a lease liability at the commencement of the lease. The right-of-use asset is initially measured based on the present value of lease payments that are not paid at the commencement date plus initial direct costs less any incentives received. The lease payments are discounted using an incremental borrowing rate which is country-specific and reflective of the lease term. The right-of-use asset is depreciated over the shorter of the lease term or the useful life of the underlying asset. The right-of-use asset is subject to impairment testing if there is an impairment indicator. The right-of-use assets are included in the balance sheet heading 'Tangible fixed assets'.

The lease liability is initially measured at the present value of lease payments, as outlined above, and is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or as appropriate, changes in the assessment of whether an extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised. The lease liabilities are included in the balance sheet headings 'Obligations under finance leases'.

1.15 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.

1.16 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.

SMITH & NEPHEW USD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.17 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.

2 Profit for the year

	Note	2019 \$000	2018 \$000
Profit for the year is stated after charging/(crediting):			
Net foreign exchange (profits)/ losses		(62)	146
Depreciation of property, plant and equipment	9	2,579	61
(Profit)/loss on disposal of fixed asset investment	10	(12,548)	183
Staff costs		11,287	18,640
Fair value changes in investments		-	(10,080)
		<u> </u>	<u> </u>

3 Auditor's remuneration

	2019 \$000	2018 \$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.

SMITH & NEPHEW USD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

4 Employees

The average number of employees were:

	2019 Number	2018 Number
Average number of employees	126	108

Their aggregate remuneration comprised:

Employment costs	2019 \$000	2018 \$000
Wages, salaries and social security costs	9,811	14,809
Pension costs	23	315
Share based payments	654	2,215
Other staff costs	799	1,301
	11,287	18,640

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.

5 Investment income

	2019 \$000	2018 \$000
Income from fixed asset investments		
Dividends received	256,142	914,840

SMITH & NEPHEW USD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

6 Finance costs

	2019 \$000	2018 \$000
Interest on financial liabilities measured at amortised cost:		
Lease liabilities	53	-
Dividends on redeemable preference shares not classified as equity	30,361	26,293
Interest payable to parent undertaking	53,573	-
Interest payable to group undertakings	36,422	101,175
Other interest payable	20	-
	<u>120,429</u>	<u>127,468</u>
Other finance costs:		
Unwinding of discount on provisions	(101)	-
Total finance costs	<u>120,328</u>	<u>127,468</u>

7 Amounts written off investments

	2019 \$000	2018 \$000
Impairment	-	648,388

\$626,671,000 of the 2018 charge related to the impairment of the Company's investment in Smith & Nephew AG and \$21,717,000 related to the impairment of the investment in Smith ve Nephew Medikal Cihazlar Ticaret Limited Sirketi.

There were no impairments in 2019.

SMITH & NEPHEW USD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

8 Income tax expense

	2019 \$000	2018 \$000
Current tax		
Current year taxation	1,074	484
Adjustments in respect of prior periods	392	515
	<u>1,466</u>	<u>999</u>
Tax charge for the year	<u>1,466</u>	<u>999</u>

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

	2019 \$000	2018 \$000
Profit before taxation	<u>147,819</u>	<u>147,217</u>
Expected tax charge based on a corporation tax rate of 19% (2018: 19.00%)	28,086	27,971
Non taxable items	(45,174)	(47,345)
Adjustments in respect of prior periods	392	515
Deemed income/(expense) for tax purposes	420	(1,674)
Withholding taxes	655	-
Effects of group relief/other reliefs	<u>17,087</u>	<u>21,532</u>
Tax charge for the year	<u>1,466</u>	<u>999</u>

For the year ended 31 December 2019, the corporation tax rate was 19.00% (2018: 19.00%)

SMITH & NEPHEW USD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

9 Tangible fixed assets

	Land and buildings \$000	Plant, equipment and vehicles \$000	Total \$000
Cost			
At 1 January 2018	765	2,333	3,098
Additions	-	75	75
At 31 December 2018	765	2,408	3,173
Recognition of ROU asset on initial application of IFRS 16	1,318	1,021	2,339
Adjusted balance at 1 January 2019	2,083	3,429	5,512
Additions	193	-	193
Disposals	-	(867)	(867)
At 31 December 2019	2,276	2,562	4,838
Accumulated depreciation			
At 1 January 2018	549	405	954
Depreciation charge for the year	44	17	61
At 31 December 2018	593	422	1,015
Depreciation charge for the year	948	1,631	2,579
At 31 December 2019	1,541	2,053	3,594
Carrying amount			
At 31 December 2019	735	509	1,244
At 31 December 2018	172	1,986	2,158
Information about the Company's right-of-use assets is outlined below:			
2019			
Additions	193	-	193
Depreciation charge in the year	935	142	1,077
Net book value at 31 December	576	12	588

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 2019

10 Investments

	Non-current	
	2019	2018
	\$000	\$000
Available-for-sale investment carried at fair value	513	18,480
Investments in subsidiaries	13,120,579	12,301,606
	<u>13,121,092</u>	<u>12,320,086</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.

During the year the Company disposed of its investment in Ortho Space Ltd. and completed the acquisition of Atracsys Sarl at a cost of \$41m, as well as injecting further capital into existing holdings. Following a restructuring within the Smith+Nephew group of companies in 2019, the Company now directly holds its investment in Smith & Nephew Consolidated Inc. This was a return of its previous investment in Smith & Nephew Management B.V. which was liquidated and, as such, is recorded at the same value of \$6.9bn.

SMITH & NEPHEW USD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

10 Investments

(Continued)

Movements in fixed asset investments

Shares in fellow group subsidiaries and related undertakings

	\$000
Cost	
At 1 January 2018	13,045,974
Additions	819,486
Disposals	(18,480)
At 31 December 2019	<u>13,846,980</u>
Impairment	
At 1 January 2018	(725,888)
Impairment losses	-
At 31 December 2019	<u>(725,888)</u>
Carrying amount	
At 31 December 2019	<u><u>13,121,092</u></u>
At 31 December 2018	<u><u>12,320,086</u></u>

11 Debtors

	Due within one year		Due after one year	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Other receivables	2,991	3,517	12,921	-
Amounts due from fellow group undertakings	21,233	17,422	-	-
Prepayments	751	361	-	-
	<u>24,975</u>	<u>21,300</u>	<u>12,921</u>	<u>-</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 (2018: \$nil).

Other receivables includes consideration receivable of \$15 million of which \$13 million is contingent upon future events considered probable.

SMITH & NEPHEW USD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

12 Loans and overdrafts

	2019 \$000	2018 \$000
Unsecured borrowings at amortised cost		
Redeemable preference shares	448,915	448,915
Loan owed to fellow group undertaking	620,000	620,000
	<u>1,068,915</u>	<u>1,068,915</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:

	2019 \$000	2018 \$000
Due after one year liabilities	<u>1,068,915</u>	<u>1,068,915</u>

13 Trade creditors and other payables

	Due within one year		Due after one year	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Amount due to parent undertaking	1,799,565	1,167,829	-	-
Amounts due to fellow group undertakings	28,753	7,861	-	-
Accruals	3,741	6,876	-	-
Acquisition consideration	6,415	-	13,346	-
Other creditors	1,295	-	-	-
	<u>1,839,769</u>	<u>1,182,566</u>	<u>13,346</u>	<u>-</u>

Acquisition consideration includes \$5.5 million contingent upon future events which is considered probable.

SMITH & NEPHEW USD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

14 Share capital

	2019 \$	2018 \$
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 2018 & at 31 December 2019	<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.

16 Hedging reserve

	2019 \$000	2018 \$000
At the beginning of the year	-	-
Losses on cash flow hedges	(536)	-
At the end of the year	<u>(536)</u>	<u>-</u>

During the year, the Company entered into a new cash flow hedge in relation to acquisition consideration payable in Swiss Francs.

SMITH & NEPHEW USD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

17 Retained earnings

	\$000
At 1 January 2018	6,751,192
Profit for the year	146,218
	<hr/>
At 31 December 2018	6,897,410
	<hr/>
Profit for the year	146,353
	<hr/>
At 31 December 2019	7,043,763
	<hr/> <hr/>

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

18 Contingent liabilities

The Company, together with Smith & Nephew plc and certain fellow subsidiary undertakings, has entered into guarantees with the National Westminster Bank plc and HSBC Bank plc. The arrangement with National Westminster Bank plc is in respect of the net overdrafts of the other parties to the guarantee. The maximum exposure under this guarantee amounts to £10 million (2018 - £10 million). The arrangement with HSBC Bank plc is in respect of the gross overdrafts of the other parties to the guarantee. The maximum exposure under this guarantee is \$50 million (2018 - \$nil).

19 Events after the reporting date

Since the balance sheet date, the COVID-19 pandemic has spread across the world. This has adversely impacted the elective surgeries market in which the Company's subsidiaries operate worldwide. This is considered a non-adjusting post-balance sheet event and the impact of COVID-19 will be reported in the 2020 financial statements. The COVID-19 pandemic has, at the time of approving these financial statements, had no adverse impact on the Company.

Uncertainty as to the length of the pandemic and the related measures to combat it mean that the 2020 full year impact, including any impact on the carrying value of the Company's investment in subsidiaries cannot yet be known.

On 23 January 2020, the Company, via fellow group undertakings, completed the acquisition of 100% of the share capital of Tusker Medical, Inc., a developer of an innovative in-office solution for tympanostomy (ear tubes) called Tula. The acquisition supports the Company's strategy to invest in innovative technologies that address unmet clinical needs. The maximum consideration, all payable in cash, is \$140m and the provisional fair value consideration is \$139m and includes \$6m of deferred and \$35m of contingent consideration.

On 23 June 2020, the Company called and cancelled all of its 448,915,000 redeemable \$1 preference shares and also injected \$55m of capital into Smith & Nephew (Europe) B.V.. On 24 June 2020 the Company closed its branch in Luxembourg and on 26 June 2020 repaid its loan of \$620m to Smith & Nephew ARTC Limited along with accrued interest on the balance of \$4.4m.

SMITH & NEPHEW USD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

20 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)	Podium Floor Tower 4, World Trade Centre S No1 Kharadi, Pune, Maharashtra-MH,411014, India	100.00
ArthroCare Belgium SPRL (2)	Hector Heenneulaan 366, 1930 Zaventem, Belgium	100.00
ArthroCare Corporation (2)	CT Corporation, 1209 Orange Street, Wilmington DE 19801, USA	100.00
ArthroCare Costa Rica S.R.L. (1)	Building B32, 50 meters South of Revisión Técnica Vehicular, Province de Alajuela, Canton Alajuela,	100.00
ArthroCare India Medical Device Private Limited (2) (in liquidation)	C/o Smith & Nephew Healthcare Pvt. Limited, 501-B Dynasty Business Park, Andheri Kurla Road, Andheri	100.00
ArthroCare Luxembourg S.a.r.l. (1)	163, rue de Kiem, L-8030 Strassen, Luxembourg, 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 District, Beijing,	100.00
Atracsys Sarl (1)	Route du Verney 20, 1070, Puidoux, Switzerland	100.00
Bioventus LLC (2)	CT Corporation, 1209 Orange Street, Wilmington DE 19801, USA	100.00
Blue Belt Holdings, Inc. (2)	CT Corporation, 1209 Orange Street, Wilmington DE 19801, USA	100.00
Blue Belt Technologies UK Limited (2)	Building 5, Croxley Park, Hatters Lane, Watford, Hertfordshire, WD18 8YE, United Kingdom	100.00
Blue Belt Technologies, Inc. (2)	CT Corporation 1515 Market Street, Philadelphia, PA 19102, USA	100.00
Ceterix Orthopaedics, Inc. (2)	CT Corporation, 1209 Orange Street, Wilmington DE 19801, USA	100.00
CRES Holdings, Inc. (2)	850 New Burton Road, Suite 201, City of Dover, County of Kent DE 19904, USA	0.99
DC LLC (2)	8/1 Stroiteley Street, 142290, City of Puschino, Moscow Region, Russian Federation	100.00
Healicoil Inc (2)	CT Corporation, 1209 Orange Street, Wilmington DE 19801, USA	100.00
Hipco, Inc. (2)	CT Corporation, 1209 Orange Street, Wilmington DE 19801, USA	100.00
Leaf Healthcare, Inc. (2)	CT Corporation, 1209 Orange Street, Wilmington DE 19801, USA	100.00
Memphis Biomed Ventures I, L.P. (2)	160 Greentree Drive, Suite 101, Dover, DE, 19904, USA	4.61
Miach Orthopaedic Inc. (2)	c/o Martha Murray, 19 Saddlebrook Road, Sherborn, MA 01770, USA	8.00
Oratec Interventions, Inc. (2)	CT Corporation, 1209 Orange Street, Wilmington DE 19801, USA	100.00
Orthopaedic Biosystems Ltd., Inc. (2)	CT Corporation System, 3800 North Central Avenue, Phoenix AZ 85012, USA	100.00

SMITH & NEPHEW USD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

20 Subsidiaries and other related undertakings	(Continued)
Osteobiologics, Inc. (2)	CT Corporation, 1209 Orange Street, Wilmington DE 19801, USA 100.00
Plus Orthopedics (Beijing) Co., Ltd (2)	22 Linhe Avenue, Linhe Economic Development Zone, Shunyi District, Beijing, 101300 PRC (People's Rep 100.00
Plus Orthopedics Holding AG (1)	Oberneuhofstrasse 10d, Baar, 6340, Switzerland 100.00
Plus Orthopedics LLC (2)	CT Corporation, 1209 Orange Street, Wilmington DE 19801, USA 100.00
Rotation Medical, Inc. (2)	CT Corporation, 1209 Orange Street, Wilmington DE 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)	CT Corporation, 1209 Orange Street, Wilmington DE 19801, USA 100.00
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 (Ireland) Trading Limited (1)	13-18 City Quay, Dublin 2, D02 ED70, Ireland 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, United Kingdom 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, United Kingdom 100.00
Smith & Nephew Chusik Hoesia (1)	13F, ASEM Tower, 517, Yeongdong-daero, Gangnam-gu, Seoul, 06164, Korea; Republic of 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)	Avenida do Cafe, 277, Centro Empresarial do Aco, Torre B, 4 andar, conjunto 403, Jabaquara, Sao Paulo 100.00
Smith & Nephew Consolidated, Inc. (1)	CT Corporation, 1209 Orange Street, Wilmington DE 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 USD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

20 Subsidiaries and other related undertakings	(Continued)
Smith & Nephew Finance S.a.r.l (1)	163, rue de Kiem, L-8030 Strassen, Luxembourg 100.00
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, U.A.E.. 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 98.75
Smith & Nephew Healthcare Sdn. Berhad (1)	Level 25, Menara Hong Leong, NO. 6 Jalan Damanlela Bukit Damansara, Kuala Lumpur W.P., 50490 Kuala L 100.00
Smith & Nephew Inc. (1)	199, Bay Street, 4000 Toronto On M5L 1A9, Canada 100.00
Smith & Nephew Inc. (1)	Edificio Cesar Castillo, Calle Angel Buonomo #361, Hato Rey, 00917, Puerto Rico 100.00
Smith & Nephew, Inc (2)	CT Corporation, 1209, Orange Street, Wilmington, DE 19801, USA 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, Parque Tejo - Bloco C, 2625-445 Forte de Casa, Vila Franca de Xir 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 NZ, New Zealand 100.00
Smith & Nephew Limited (1), (2)	16th Floor Building A, 9th Tower Grand Rama 9, 33/4 Rama 9 Road, Huai Khwang District, Bangkok, 1031 100.00
Smith & Nephew LLC (2)	2nd Syromyatnichesky Lane 1, 9th Floor, Premises 1, Room 1, 105120, Moscow, Russian Federation 100.00
Smith & Nephew Manufacturing AG (2)	Schachenallee 29, 5000, Aarau, Switzerland 100.00
Smith & Nephew Medical (Shanghai) Limited (1)	4th Floor, Tong Yong Building, No 188 Ao Na Rd, Shanghai Free Trade Test Zone, Shanghai, China 100.00
Smith & Nephew Medical (Suzhou) Limited (2)	12, Wuxiang Road, West Area of Comprehensive Bonded Zone, Suzhou Industrial Park, Jiangsu Province, 100.00
Smith ve Nephew Medikal Cihazlar Ticaret Limited Sirketi (1)	Bahcekoy Merkez Mah. Ergene Nehri SK No:8/4 Bahcekoy Sariyer Istanbul, Turkey 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 Operations B.V. (2)	Bloemlaan 2, 2132NP, Hoofddorp Netherlands 100.00
Smith & Nephew Operations Pte. Limited (2)	29 Media Circle, #06-05, Alice@Mediapolis, Singapore, 138565, Singapore 100.00
Smith & Nephew Operations Sdn. Bhd (1)	Level 25, Menara Hong Leong, NO. 6 Jalan Damanlela Bukit Damansara, Kuala Lumpur W.P., 50490 Kuala L 100.00

SMITH & NEPHEW USD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

20 Subsidiaries and other related undertakings	(Continued)
Smith & Nephew Orthopaedics GmBH (2)	Alemanenstrasse 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)	CT Corporation, 1209 Orange Street, Wilmington DE 19801, USA 100.00
Smith & Nephew Oy (1)	Ayratie 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 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)	Via De Capitani 2A, 20864, Agrate Brianza, MI 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, Kuala Lumpur W.P., 50490 Kuala L 100.00
Smith & Nephew sp z.o.o (1)	Ul Osmanska 12, 02-823 Warsaw, Poland 99.86
Smith & Nephew Superannuation Scheme Limited (2)	36a Hillside Road, Wairau Valley, Auckland, 0627 NZ, 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, United Kingdom 100.00
Sri Siam Medical Limited (1)	16th Floor, GPF Witthayu Tower A, 93/1 Wireless Road, Lumpini, Phatumwan, Bangkok, 10330, Thailand 48.99
Surgical Frontiers Series I, LLC (2)	160 Greentree Drive, Suite 101, Dover, Kent, DE 19904, Delaware, USA 33.46
TEAMfund, LP (1)	Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman, KY1 6.67
Tenet Medical Engineering Inc (2)	3500-855-2 Street SW, Calgary AB AB T2P 4J8, Canada 100.00
Trice Medical, Inc. (2)	251 Little Falls Drive, Wilmington DE 19808, USA 4.50
Smith & Nephew Management B.V. (1) (in liquidation)	Bloemlaan 2, 2132NP, Hoofddorp Netherlands 100.00

SMITH & NEPHEW USD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **FOR THE YEAR ENDED 31 DECEMBER 2019**

20 Subsidiaries and other related undertakings

(Continued)

- (1) Interest held directly by the Company.
- (2) Interest held indirectly by the Company.

21 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.